











INTERNATIONAL INSTITUTE OF AGRICULTURE

BUREAU OF ECONOMIC AND SOCIAL INTELLIGENCE

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## THE INTERNATIONAL INSTITUTE OF AGRICULTURE.

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The Institute, confining its operations within an international sphere, shall:

(a) Collect, study, and publish as promptly as possible, statistical, technical, or economic information concerning farming, vegetable and animal products, the commerce in agricultural products, and the prices prevailing in the various markets.

(b) Communicate to parties interested, also as promptly as possible, the above information.

(c) Indicate the wages paid for farm work.

(d) Make known new diseases of plants which may appear in any part of the world, showing the territories infected, the progress of the diseases, and, if possible, the remedies which are effective.

(e) Study questions concerning agricultural co-operation, insurance and credit in all their aspects; collect and publish information which might be useful in the various countries for the organisation of work connected with agricultural co-operation, insurance and credit.

(f) Submit to the approval of the Governments, if there is occasion for it, measures for the protection of the common interests of farmers and for the improvement of their condition, after having utilized all the necessary sources of information, such as the wishes expressed by international or other agricultural congresses, or by congresses of sciences applied to agriculture or agricultural societies, academies, learned bodies, etc.



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## Part I: Co-operation and Association

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### AUSTRIA.

#### REGIONAL ORGANISATION OF AGRICULTURAL CO-OPERATIVE SOCIETIES.

By Dr. OTTO NEUDÖRFER,

*Senior Secretary to the General Federation of Austrian Agricultural Co-operative Societies,  
Vienna.*

#### VII. — AGRICULTURAL CO-OPERATION IN DALMATIA.

Dalmatia, the "country of the sun", discovered a few years ago as a place of resort for tourists, is the poorest, the most sterile and most backward, from the agricultural point of view, of the provinces of the Austrian monarchy. Scarcely half the area is productive; the rest is without soil, trees or water. All that can be considered fit for cultivation is a narrow strip along the coast and small steep terraced slopes. The climate itself is unfavourable to cultivation: long rainy seasons and severe winter storms are succeeded by torrid summers without rain. The conditions are a little more favourable to vegetation in the islands along the coast, but here also the climate is a serious obstacle to farming.

This poor country, to which nature has been a cruel stepmother, and which suffers the consequences of centuries of neglect, is inhabited almost entirely by Serbo-Croats, deriving their scanty means of subsistence from fishing and the cultivation of vines and olives and in part also from agriculture and livestock improvement, rendered difficult through the continual scarcity of cattle foods.

The financial conditions of the country were up to quite recently as bad as could be imagined. Fifteen years ago, we may say, there were

no credit institutes, usury flourished to a large extent and the peasants had to pay from 20 % to 50 % interest on loans. When, therefore, after the losses caused by the phylloxera, but above all after the insertion of the clause relating to the duty on wine in the Austro-Italian commercial treaty, viticulture ceased to be remunerative, it was a real disaster for a large part of the country. Whole villages were ruined; it was necessary to proceed to the forced sale of the land of hundreds of peasants, nor were buyers to be found, so that in the end the land remained the property of the creditors. Then began that wholesale emigration, which might be considered providential as long as it was due to the search for favourable conditions of labour. It brought money into the country and ended in the return of the labourers, but, now that it has assumed dimensions which, even if they cannot be estimated precisely, are certainly very large, it presents the appearance of a real exodus and threatens to depopulate the country.

In this region suffering from such poverty, with its cultivation neglected, torn asunder by the strife of political parties, co-operative institutes have taken root with surprising rapidity.

While ten years ago there were only a few co-operative credit societies, to day the whole province is covered by a network of societies, naturally more numerous in the populous districts of the coast and in the islands than in the mountainous interior, still far behindhand in respect to cultivation and means for commerce. It is certain that this rapid development of co-operation is not everywhere due to an inherent necessity, but has often been the result of exterior influences and especially of the efforts of the various parties to found, in the shortest possible time, the largest possible number of co-operative organizations. And, as the population, for the most part illiterate, is not everywhere ripe for the co-operative system and must be educated to it gradually, the effects of this hasty development naturally have made themselves and are making themselves felt in many societies.

The co-operative propaganda in Dalmatia originated with three different organizations. The mutual institutes first of all developed in South Dalmatia, where the population is Servian, and differs from the Croat population in the use of the Cyrillian alphabet and in part also by adherence to the Greek Orthodox faith. The first Servian Raiffeisen bank was founded in 1901; in 1904 there were already in South Dalmatia 15 Servian co-operative societies, 11 of them Raiffeisen banks and 4 co-operative credit societies of Schulze-Delitzsch type. In the course of that year these institutes formed themselves into a Federation registered in Ragusa under the name of *Savez srpskih privrednih zadruga na Primorju* (Federation of Servian Agricultural Co-operative Societies of the Littoral), a registered limited liability society.

The object of the Federation was :

(1) to provide for the inspection of the affiliated co-operative societies ;

(2) to safeguard and represent the moral and material interests of the societies ;

(3) to serve as intermediary for the societies in their relations with each other.

The Federation, therefore, does not act as a clearing house for its affiliated societies, but, in addition to their inspection, it only occupies itself with their legal defence and their organization.

Very soon, however, the need for a clearing house was felt ; therefore, in 1908, a Central Bank was founded ; it also was registered on April 18th., 1909, as a limited liability society in the register of the co-operative societies and became a member of the Federation. This Central Bank is intended to receive the surplus capital of the affiliated societies, grant them the credit they need, discount bills of exchange, collect moneys and make payments for their account.

The Federation, at the end of the year 1912-1913, included 55 co-operative societies, namely :

- 40 Raiffeisen Banks,
- 9 Loan Banks (Schulze-Delitzsch),
- 2 Co-operative Fishermen's Societies,
- 3 Co-operative Olive Growers' Societies,
- 1 Central Bank.

Altogether, information was supplied for the statistical tables published by the Federation for the year 1912, by 39 Raiffeisen Banks, 9 loan banks and 3 co-operative societies for production ; these organizations included altogether 5,119 members with 9,313 shares of a total value of 542,784.89 crs. ; The savings deposited amounted to 2,869,177.06 crs. ; the credits granted to 2,599,337.76 crs.

The objects for which the loans were made will throw light on the economic situation of the territory within the sphere of action of the Federation. First come loans for the extinction of old debts : altogether 608 for 151,990.40 crs. ; next 344 loans for purchase of articles of food for 39,487 crs. ; 111 loans for purchase of livestock for 25,622.93 crs. ; 142 loans for purchase of farms for 47,480.09 crs. and 6 loans for purchase of implements for 800.50 crs.

The reserve funds in all the societies furnishing information amounted to . . . . . crs. 222,900.11

Of this there belonged to :

the Raiffeisen Banks . . . . .	»	18,905.56
the Loan Societies . . . . .	»	175,960.36
the 3 Co-operative Societies for Production . . . .	»	28,034.19

\* The net profits were 71,540.18 crs. ; of this amount 28 Raiffeisen Banks owned 4,024.55 crs., 9 loan banks 64,859.08 crs., and the 3 societies for production 2,656.55 crs. Eleven Raiffeisen banks closed their accounts with a total loss of 1,276.99 crs.



The Central Bank at the end of the year 1912-1913 had 52 societies as members, with 76 shares; the amount paid up on the shares was 38,000 crs.; the liability of the members for the engagements of the bank as fixed in the rules was 380,000 crs.

The amount of deposits, both of members and others, came to 299,491 crs., the amount of credits to 253,445 crs., the total business done to 11,634,263 crs. and the reserve fund was 4,890 crs. The accounts were closed with a net profit of 5,041.13 crs.

The work of the federation of the Servian co-operative societies of Ragusa is limited, as we have already said, to the south of Dalmatia, economically most advanced, and to the Servian portion of the population: it must, therefore, not be considered as competing with the co-operative federations that have arisen later in the north.

The first societies constituted in the north of the Dalmatian territory amongst the Croat population (of the Roman Catholic Church), as they had not sufficient means of their own, affiliated themselves to the Slovenian Co-operative Federation of Laibach, "*Zadrurna zveza*" which gradually placed at their disposal considerable sums and therefore extended its inspections to Dalmatia.

The great distance between Laibach and Dalmatia, however, very soon excited the desire of the Dalmatian societies, which rapidly increased in number after 1907, to form a federation of their own, as was indeed done in 1907, under the title of "*Zadrurni Savez*" (Co-operative Federation), a registered limited liability society in Spalato. Forty Dalmatian co-operative societies were represented at the meeting for the foundation of this institution and the number of affiliated societies has increased from year to year. Meanwhile, the Laibach Federation had founded, for the benefit of its affiliated Dalmatian societies, a branch in Spalato, for their inspection; nor did it cease to work, notwithstanding the flourishing condition of the Spalato Federation; but, on the other hand, it was transformed into an independent federation. There were thus, in North Dalmatia, two agricultural co-operative federations, between which the competition was keen; which was certainly not conducive to the internal strength of the co-operative institutions themselves.

The Spalato Federation *Zadrurni Savez*, which, in its regulations, proposes to act as legal representative of the affiliated co-operative societies, to inspect them and to serve as a clearing house and as intermediary for their goods business, began work on September 2nd. 1907. At the end of that year, 62 cooperative societies had adhered to it; the number increased very rapidly, up to 151 at the end of 1909, 180 at the end of 1910, 195 at the end of 1911 and 197 at the end of 1912. There were amongst its affiliated societies:

(1) Raiffeisen Banks. . . . .	196
(2) Other Co-operative Societies . . . . .	91
(a) Loan Banks . . . . .	13
(b) Dairies . . . . .	2

(c) Wine Societies . . . . .	3
(d) Distributive Societies . . . . .	35
(e) Fishermen's " . . . . .	12
(f) Olive Growers' " . . . . .	13
(g) Societies for the Sale of Honey . . . . .	2
(h) Rosemary Growers' Societies . . . . .	2
(i) Carpenters' Society . . . . .	1
(j) Bookbinders' " . . . . .	1
(k) Stonecutters' " . . . . .	1
(l) Building " . . . . .	1
(m) Ship-builders' " . . . . .	1
(n) Navigation " . . . . .	1
(o) Industrial " . . . . .	1
(p) Mutual Aid " . . . . .	1
(q) Agricultural Association . . . . .	1

The 197 affiliated societies had, at the end of 1912, paid up altogether 422,300 crs. as contributions on shares in the Federation. The deposits in current account amounted at that date to 3,231,713 crs., the credits in current account to 4,348,056 crs. and the loans to 1,034,846 crs. The net profits for the year were 30,911 crs. At the end of the year the Federation had a reserve fund of 40,000 crs.

The total business done amounted to 77,822,463 crs.; the members' liability for the engagements of the society to 4,223,000 crs.

As we see from the above figures the amount of the deposits is rather high, though it seems to be completely swallowed up by the credits (1). The deposits for the most part come from the co-operative societies of the islands, which have funds in excess of their requirements, whilst the inland societies have need of capital and have to apply to the Federation for credit. It cannot but give rise to some anxiety that a large part of these credits are immobilised; more than half the existing loans are invested in mortgages to mature in from four to ten years, which is easy to understand, in view of the deficiency of mortgage institutes in Dalmatia. The only existing one, the "Rural Mortgage Institute" of Zara, a short while ago entered into an agreement with the Federation to assist it in granting mortgage loans. If this arrangement succeeds, a serious obstacle in the way of the development of co-operation in Dalmatia may be thus removed. Another obstacle to the success of the co-operative institutes of the province has already been removed a short while ago.

It has already been stated that the former branch of the Laibach Federation had been transformed into an independent Federation, and this led to a keen rivalry between the Spalato Federation and it. The

(1) Since the above date, the financial situation of the Federation has considerably improved; the amount of deposits has risen to 7,000,000 crs., and the Federation has fairly considerable funds not employed in its credit business.

new Federation was, it is true, very much smaller than the *Zadrinski Savez*, but yet it had 84 affiliated societies, amongst them 57 Raiffeisen banks, 6 credit societies, 10 fishermen's societies, 2 olive growers' societies 7 distributive unions and 2 other societies. After several years, an attempt was made to unite the two federations and was finally crowned with success at the end of last year. By an agreement come to between the Laibach and Spalato Federations, the former has ceased to exert its action in Dalmatia and all the Dalmatian societies affiliated to it have now become members of the Spalato Federation. Thus a state of things has been got rid of that could scarcely go on for long.

The Spalato Federation has had a considerable increase in the number of its members and the union will soon have very beneficent consequences for Dalmatian co-operation. From the following data it will be seen that the societies affiliated to the Federation have already given satisfactory results. Of the 106 Raiffeisen Banks belonging to the Federation at the end of 1912, 101 furnished information for the statistical report for that year. We know from this that these 101 banks had 17,429 members who had paid up 164,396 crs. as contributions on shares. Their reserve funds amounted to 524,316 crs.; the amount of savings deposited to 9,316,799.60 crs.; that of the credits to 11,613,951 crs.; the loans amounted to 2,555,510 crs. The profits for 92 banks were altogether 106,664 crs. and the losses of 9 banks 2,867 crs.

The 13 Credit Banks that furnished statistical information, had, at the end of 1912, 12,435 members with 850,389 crs. in shares and 119,939 crs. reserve fund. The amount of the savings deposits was 2,752,333 crs.; that of the loans 1,139,869 crs.; the amount of the credits 4,622,961 crs. All the banks by which information was supplied closed their accounts with a profit, amounting altogether to 73,445 crs.

The success of the co-operative oil growers' societies has been favoured by the extensive action undertaken by the Government for the economic development of Dalmatia, beginning with the encouragement of olive cultivation and a scientific method of making oil.

In fact, up to recently, the methods employed both in the cultivation of olives and the preparation of oil were most deplorable. An expert (1) gives the following description: "The method of production in use in all the Littoral is as bad as can be imagined. The want of mills drags out the work indefinitely, while the first condition for obtaining good oil is speedy pressing. Sometimes the olives are left on the tree, and this, from a technical point of view, is better: in this way an oil is obtained of less consistency, but still wholesome. Generally, however, as a protection against possible loss through bad weather or theft, the whole crop is gathered at one time and stored. When certain precautions are taken and there is space enough, olives will keep very well for two or three weeks: but, owing to want of space and above all want of technical knowledge, they are

(1) FERDINAND ARTMANN: Vorschläge zur Hebung der heimischen Olivenölproduktion. (*Proposals for an Improvement in our Methods of Making Olive Oil*). Vienna and Leipzig, 1907.

stored anywhere, in heaps or in casks and similar receptacles, so that they very soon ferment. The oil obtained from these olives is of course bad, that is unfit for consumption". Even the pressing of these olives, already spoiled through being badly stored, left much to be desired.

Yet the olive, in the judgment of the specialist above quoted, owing to its requiring little water and to its extraordinary powers of resistance, is just the plant best suited to the greater part of Dalmatia. About 35,000 hectares there are cultivated with olives. The average yield of oil is calculated at between 40,000 and 60,000 quintals the year. With the continual negligence of years and the spread of diseases, the conditions of cultivation have grown gradually worse, so that in the last twenty years, bad harvests have been more and more frequent. The continuance of unscientific methods of preparing oil and the very limited consumption have gradually lowered the price to such an extent that it no longer covers the cost of cultivation.

As a remedy, in 1907 the Government took steps to improve the production of oil and up to the present has been successful. First of all, experiments were made on a large scale to obtain oil of the best quality and sell it as well as possible. With the help of the co-operative olive growers' societies already existing and those now formed, large quantities of fine oil were produced, and both at home, in Vienna, from the Austrian fish preserving industries, and at Trieste, and from the large exporters of Genoa and Marseilles, prices were obtained very nearly the same, when account is taken of the customs charges, as those for the best Italian and French oils.

Thanks to the action of the State, which also granted subsidies to the oil producers' co-operative societies, the number of these societies has rapidly increased in Dalmatia. Whilst in 1907 there was only one, 7 more were started in the following year and at the end of 1912 there were 16 working. In Spalato a central warehouse was started with the intention of establishing a basis for centralising the treatment of fine Dalmatian oil together with the gradual centralisation of the sale. This warehouse has since been transferred to the *Ölsektion des Landeskulturrats* (Oil Division of the Provincial Council of Agriculture), founded recently in Zara with a subvention from the State, and specially intended, in addition to its duties of commercial character, to promote the organisation and improve the technique of the Dalmatian oil producers' co-operative societies.

Of the 16 oil producers' co-operative societies existing at the end of 1912, for the most part affiliated to the Spalato Federation, 13 supplied information in regard to their work in the year 1911-1912. From this information it appears that in these societies

the members . . . . .	were	1,476
the amount paid up on shares .	was	crs. 83,091
the olives treated . . . . .	were	quintals 19,522
the oil produced . . . . .	was	" 3,499
the oil sold . . . . .	was	" 3,428
the proceeds from sales . . .	were	crs. 448,010

The loans of the co-operative societies to which the information supplied refers amounted to . . . . .	crs. 779,416
The value of the buildings was estimated on the balance sheets at »	437,391
» » presses » » » » » »	272,227
» » implements » » » » »	20,198
» » other plant » » » » »	106,565
The expenditure for the year was . . . . .	» 94,019
The profits amounted to . . . . .	» 25,676
The losses amounted to . . . . .	» 7,685
The reserve funds amounted to . . . . .	» 33,878

Recently, with the help of the Spalato Federation, there has been initiated an action for the limitation of emigration which is now really excessive and is arousing anxiety in the country and the Empire. The emigration from Dalmatia, first of all only a kind of temporary emigration to New Zealand, where the extraction of Damara rosin offered a favourable opportunity for making money, has been transformed into a real emigration in the proper sense of the word to America, South Africa and Australia, all countries where strangers and especially young immigrants are assimilated with great facility. The immigrants learn the local language, find work, escape military service and for this reason alone do not return to their native land. Neither do they send their accumulated earnings home: in short, the country suffers by this emigration to a quite extraordinary degree.

The various evils connected with emigration (incitement to emigration by mercenary agents, emigration of young men before their military service, exploitation of the emigrants etc.) cannot be put a stop to by police regulations, such as are contemplated in the recently prepared Government proposal for a new law on emigration. Measures of economic character, which are, however, much required in the province, for example, for the protection of viticulture, the encouragement of fisheries, the development of the coasting trade and so on, do not act rapidly enough to check these evils. So, in co-operative circles, which naturally, are extremely interested in the matter of emigration, the idea has been conceived of founding a social organization to check ill considered emigration, to maintain close relations between the emigrants and the mother country, to provide for the security of their savings and above all to substitute itself for the professional and mercenary agents. This conception was inspired essentially by the idea that a real improvement in the matter of emigration can only be arrived at when all who might have a material interest of their own in the business are prevented from engaging in the recruiting of emigrants.

The organization to be founded would naturally have to be subject to the direct and strict supervision of the Government; all the agencies now existing being eliminated, the regulation of every thing connected with emigration should be entrusted to the new organization. Needless to say that this organization would not be intended to make profits, and would invest any possible balance it may have in works of social thrift for the benefit of the emigrants.

It is not for us here to enter into the details of the scheme (1). If even many general objections may be made against the co-operative societies occupying themselves with emigration problems, in the special conditions of the country the project seems very opportune. An organization based on mutual principles, operating under Government control, with no idea of gain, should, indeed, by virtue of its thorough acquaintance with the country and its moral influence, be in a position to improve the unsatisfactory economic conditions of the district, as they are the real causes of emigration, should restrict the migratory movement within the inevitable limits, maintain constant relations between the emigrants and the mother country and especially provide that the emigrants' money may return to benefit local agriculture, through the co-operative societies of the province.

(1) Meanwhile a society for the protection of emigrants has been formed at Spalato

## BRITISH INDIA.

### CO-OPERATIVE CREDIT IN INDIA IN 1911-12 (*Continued*).

#### III. CENTRAL SOCIETIES.

In the previous chapter we dealt with the progress of Rural Societies and with their transactions in 1911-12. We have now to examine the work of societies which act as financing agencies of local societies. These are generally classified in the returns under the heading of "Central Societies (lending to or dealing with other Societies only)", but the official practice is not uniform.

The Act makes no mention of "Central Societies" and it would seem, therefore, that there is no strict definition of what constitutes one. The definition implied in the official returns, namely, that a Central Society is one which transacts business only with other societies, is not, in fact, adhered to, for many of the societies classed as "Central" lend a considerable part of their working capital to individual members.

The lack of a clear definition results naturally in the adoption of somewhat diverse methods of classification in the different Provinces. In certain Provinces, societies which make any loans to individuals are rigidly excluded from the list of Central Societies; while in other Provinces we find societies, which in 1911-12 lent the greater part of their working capital to individual members, classed as Central Societies. Again, in the United Provinces, for example, 6 societies previously classed as "Urban" were, in 1911-12, transferred to the list of Central Societies, so that in this case the increase shown in the number of the latter societies is to some extent apparent only. In Madras, out of 9 Central Societies, 3 are Unions which supervise and control their affiliated societies but do not finance them; while, on the other hand, among the Central Societies in Bengal, is included one Bank which is described as a purely capitalistic organization which does not pretend to be co-operative.

The difficulty of arriving at any general conclusions based on the summary returns for the whole of India, makes it advisable to examine the Central Societies in each Province separately. Afterwards, we shall

present the Summary Tables in a slightly altered form. It will be convenient also to deal with Central Banks apart from supervising and controlling Unions which possess no funds for financing other societies. In the reports of some of the Registrars the term "Central Bank" is used to cover all banking institutions whether composed of individual shareholders or of member-societies; while in other reports a distinction is made between "Central Banks" (with individual shareholders only), and "Central Banking Unions," which are federations of societies (with or without the addition of a certain number of individual shareholders).

### § 1. CENTRAL BANKS AND BANKING UNIONS.

#### (a) *Madras.*

In Madras, 9 societies are classified as "Central Societies", but 3 of these are supervising Unions only, and one of the remaining 6 Central Banks was formed after the close of the financial year. There were, therefore, only 5 Central Banks transacting business in 1911-12. Of these, the largest and most important is the Madras Central Urban Bank with a total working capital, on June 30 th, 1912, of Rs. 21,00,000 (1) and a reserve fund, in addition to its working capital, of Rs. 40,000. The other 4 were the District Banks of Salem, Trichinopoly, Coimbatore and Tenali. The District Banks of Trichinopoly and Coimbatore, according to the Registrar, "have established themselves on a successful working basis, so as to be of considerable help to the spread of the movement in their own and neighbouring districts." The position of the other two District Banks was less satisfactory and the Registrar states that it is his intention to reorganize both of them as District Banks and Unions. The total membership of the 5 Central banks (which are composed entirely of individual members) was 643 at the end of the year. Two of the banks, Trichinopoly and Tenali, lent exclusively to other societies during the year, and the other 3 lent principally to other societies and only to a very small extent to their own members.

#### (b) *Bombay.*

In Bombay Presidency, in 1911-12, 9 societies are classed as Central Societies, but it is difficult to see why some of them should be so classified. Only 5 out of the 9 societies made any loans at all to other societies during the year; and out of a total of Rs. 7,54,000 lent to other societies, no less

(1) A rupee is equal to 1 s. 4 d. or 1 fr. 68. The figures are divided so as to show the number of lakhs, a lakh being 100,000 rupees.



than Rs. 6,43,000 was lent by the Bombay Central Co-operative Bank alone. This is the only Central Bank which lent exclusively to other societies. One bank lent principally to other societies; and 3 others lent principally to their own members and, relatively, to a small extent only to other societies.

The Bombay Central Co-operative Bank, founded in November 1911, is of outstanding importance and marks a new development in co-operative credit in India. On its formation it was permitted to issue shares to the value of 7 lakhs and with this fund as the basis of credit it may issue debentures (on which the Local Government will guarantee the interest at 4 per cent.) to an amount not exceeding three times the paid up capital. Up to June 30th, 1912, no debentures had been issued, the Bank securing sufficient capital for its needs in the form of deposits at 4 or 4 ½ per cent. The nominal value of the shares is Rs. 50 of which Rs. 15 per share have been called. At the end of the year under review there were 911 shareholders. The Registrar thinks it unfortunate that none of the shares were taken up by any of the other co-operative societies in the Province.

The work of the Bank in 1911-12 falls under three heads. It granted loans to societies at from 7 to 7 ½ per cent. for periods of from 5 to 10 years; it financed co-operative societies among sugar cultivators in the irrigated districts along the Nira Canal; and it granted short term loans to societies in certain famine districts.

The work done in financing the sugar cane industry is of special interest. The cultivators on the Nira Canal, in districts far from the railway, were in the hands of brokers who charged exorbitant interest for their loans and heavy commissions for their services as middlemen. Government had tried to relieve the situation by granting agricultural loans (*takavi*) on a large scale, but at the end of 1911 the Bank entered the field. It first of all advanced Rs. 3,38,663 to Rural societies to enable them to liquidate all outstanding loans due from their members to Government. It then stationed a special representative in the district for the purpose of educating the societies in co-operative principles and practice. The societies employ a staff of clerks who are at present under the control of the Bank's representative, but it is intended to form a Union as soon as possible and the charge of all matters connected with the common interests of the societies, including the control of the clerks, will be assumed by it.

On March 31st, 1912, the Bank was able to declare a dividend of 6 per cent. but this result, the Register says in his report, must be discounted in view of the fact that no allotment was made to the sinking or reserve funds and that initial expenses have been carried forward.

The Bombay Central Bank overshadows the other Central Banks in the Presidency. Only 4 of these made any loans at all to other societies in 1911-12. The four banks in question lent Rs. 1,10,606 to other societies, while to their own members they lent Rs. 373,300.

Altogether, out of 9 societies classed as Central Societies, only 3 appear to have any real claim to be considered as central financing agencies.

*(c) Bengal.*

The 7 Central Societies in Bengal all conform to the official definition; they deal, that is to say, exclusively with other societies. One is a Central Bank with 60 individual members; the other 6 are Central Banking Unions.

The one Central Bank, the Eastern Bengal Central Bank at Dacca, is a purely capitalistic organization which limits its transactions to lending to societies on the recommendation of the Registrar. In 1912 it paid a dividend of 12½ per cent., but its success appears to have been due to the efforts of a single enthusiastic supporter. He was the main instrument for the collection of deposits, and, according to the Registrar's report, the Directors are extremely apathetic and seldom meet. The Registrar is of the opinion that it will be necessary to reorganize the Bank and to include borrowing societies as members.

The Central Banking Unions are all of the purely federal type with other societies only as members. The average number of affiliated societies per Union is 29, and the average working capital Rs. 38,145.

Though the existing Unions are working satisfactorily it has been found that the area which each Union can effectively control is somewhat restricted, and, with the object of creating larger financing units, Unions have been formed which admit individual members as preference shareholders. Three Central Banking Unions of the second or mixed type have already been formed, one of which counts among its members, side by side with the other societies, two of the older Unions. The area served by the new Unions is considerably larger than that served by Unions of the purely federal type, and in order to facilitate dealings with local societies it is proposed to form supervising Unions or Federations and transact business with them instead of with the separate societies.

The Registrar looks to the formation of Central Banking Unions to lead to an extension of the co-operative credit movement. "The great merit of the scheme", he writes, "is that it provides for an automatic expansion of the movement without making it dependent on an outside agency".

*(d) United Provinces.*

The number of Central Societies in the United Provinces of Agra and Oudh increased from 12, at the beginning of the working year, to 31 at the close. The increase is due in part to the appearance among the Central Societies of six District Banks hitherto classed as Urban Societies.

With the exception of these six banks all the Central Societies confined themselves strictly to dealing with other societies, and even in the case of these banks the amount lent by them to their members was insignificant. In future they also will deal only with other societies.

Some of the newly formed societies are Banking Unions composed exclusively of Rural societies. Others are Unions which admit a few individual non-borrowing shareholders who take an active part in the management. Such mixed Unions can only be formed successfully in districts where there are to be found public-spirited and capable persons genuinely interested in co-operation and willing to work for a central bank. Usually such shareholders are owners of large estates in the district served by the Union and look to the development of co-operation to increase the value of their estates. They are eminently fitted, therefore, to give an intelligent direction to the co-operative movement.

Many of the District Banks in the Provinces are steadily developing into true Central Banks. Their transactions with individuals are gradually being restricted while their dealings with other societies increase year by year. In many cases, however, the societies with which they transact business are branch societies only and have no independent existence, having no separate capital, reserves, profits or accounts. Such branches are gradually being reorganized as independent village societies, and the District Banks which serve them are thus being raised into the position of Central Societies. According to the Report of the Registrar, all District Banks will in the course of the next few years be converted into Central co-operative societies of an approved type.

(c) *Punjab.*

In the Punjab, on June 30th, 1912, there were 26 Central Societies of which 12 were Central Banks and 14 were Central Banking Unions. Four of the Central Banks, and no less than thirteen of the Unions, were registered during the year. The Central Banks on the above date had a membership of 822 while the Banking Unions comprised 452 societies.

None of the Central Societies dealt with individuals. The Banking Unions dealt principally with their own member-societies, but they also granted loans to a very considerable amount to societies outside their districts. It is too early yet to speak of the Unions formed during the year, but the one older Union, that of Madar, is in a prosperous condition and during the year increased its working capital by Rs. 72,000. The bulk of its capital consists of deposits from the wealthier societies among its members so that it is evidently acting successfully as a clearing house for the district.

In the Central Banks liability is in every case limited, whereas the Banking Unions are all based on unlimited liability.

The Registrar summarises his experience of the working of Central Banks and Central Banking Unions, thus:

"As regards the relative value of a Central Bank and a Union, the former is usually of more use for the supply of money during the first year of co-operative work in a district; later on, Unions are more valuable as organizations, inasmuch as they are purely co-operative and more sympathetic in character. Experience shows that there is no reason why both

should not exist together harmoniously in the same district. Whether one or the other, or both, should be started depends on the circumstances of each district."

(f) *Burma.*

Three societies only are classed as Central Societies in Burma. The most important is the Upper Burma Central Bank which is practically the Provincial Central Bank. One of the others -- the Pakòkku Central Bank -- finances societies in one district only, while the third invests what capital it has in the Upper Burma Bank and has not yet begun to lend to local societies.

The Upper Burma Central Bank had 932 members at the close of 1911-12, of which 384 were individuals and 548 were societies. The Pakòkku Bank had 139 members, 51 being individuals and 88, societies. The third bank was composed of 58 individual members.

The Upper Burma Central Bank, at the close of the year, had a working capital of Rs. 12,72,036 consisting principally of fixed deposits most of which are for two years. The rate of interest which the Bank has to pay in order to attract such deposits is progressively falling. In the year under review the Bank paid a dividend of 9 per cent.

The Pakòkku Central Bank has so far acted as an agency for the distribution and recovery of loans, and has not been able to attract deposits with which to form an independent working capital. It is intended to reorganize it for the second time.

(g) *Bihar and Orissa.*

The number of Central Societies in this Province increased from 4 to 8 during the year. They are all Banking Unions, some admitting selected individuals as preference shareholders. No loans, however, were made to such individual members.

The Unions not only finance societies, but organize and control them generally. As financing institutions they are hampered by a lack of fluid capital, but during the year some of them were successful in obtaining cash credits with joint stock banks, though there is considerable difficulty in finding the necessary guarantors. At the end of the year two Unions were enjoying cash credits, in one case for Rs. 20,000 and in the other for Rs. 10,000, while the Benares Bank, Limited had agreed to grant cash credits to three other Unions.

The aggregate membership of the 8 Unions, at the end of the year, was 414. The total working capital increased during the year from Rs. 1,30,872 to Rs. 2,34,881.

Under the supervision of the Unions a safe, gradual extension of co-operative credit is taking place. More rapid progress must, in the opinion

of the Registrar, await a general awakening of the people to the importance of the movement. Of this awakening, the Registrar adds, there appears to be no sign at present.

(h) *Assam.*

The Pioneer Central Bank at Shillong is the only Central Society in Assam. It has 74 members and had a working capital, at the end of the year of Rs. 91,091. During the year it issued loans to the amount of Rs. 25,100, all of which was lent to other societies. The interest charged in all cases was 12  $\frac{1}{2}$  per cent, but since Eastern Bengal no longer forms part of the Province and money is cheaper in Assam, this rate is to be reduced to 9 per cent. to meet the altered circumstances. In 1911-12 there was a profit on the year's working of Rs. 4,054 of which Rs. 1,013 was placed to the reserve and the remainder was utilized to pay a dividend to shareholders of 18 per cent.

(i) *Central Provinces.*

In the Registrar's Report for the Central Provinces, 25 societies are classed as Central Societies. They include 1 Provincial Bank, 20 Central Banks and 4 Unions. The transactions of the Unions were included in the figures relating to Rural Societies, and since all four of them were wound up shortly after the close of the financial year we may omit them from our survey. Four of the Central Banks which had no transactions to record during the year may also be omitted, leaving thus 1 Provincial Bank and 16 Central Banks which transacted any business in the year under review.

The Provincial Bank had barely been founded at the close of the year as no General Meeting had yet been held and no Directors had been elected. The five lakhs of capital asked for had, however, been fully subscribed and a considerable amount had already been paid up and had immediately been lent to the Central Banks. The Bank can borrow in the open market at 6 per cent. and lends to Central Banks at 7 per cent. Deposits may not be accepted.

The Central Banks lent Rs. 4,67,492 to other societies during the year, while only one Bank lent to individuals to the insignificant amount of Rs. 94 only. This Bank has been partly reorganized and has ceased to grant loans to individual members.

The Registrar describes the Central Banks as "organizing and financing institutions, educating and supervising as well as making a reasonable profit for the shareholders."

The strongest Central Bank is the Crosthwaite Central Bank of Sihora in the Jubbulpore District, which on 31 st March, 1912, was financing 159 Societies. During the year it advanced Rs. 71,903 in loans and the deposits held more than doubled. The Bank in addition carried out a

Careful survey of the affairs of Rural Societies in its district with the object of ascertaining full details of all old debts of members to outside moneylenders, and every effort is to be made to free the members from such obligations. The paid staff includes a Manager, an Accountant and a Cashier and is about to be strengthened by the addition of a Travelling Inspector. The societies themselves employ two paid clerks to write up the accounts of such societies as cannot keep their own books.

The Registrar in his Report makes special mention of the excellent educational work accomplished by this Bank. He writes as follows:

"To anyone who is still in doubt as to whether the practical benefits of co-operation can be appreciated by the Indian ryot, I recommend a visit to the office of this Central Bank. It is astonishing to find crowds of men with real business of one sort or another to transact; and it is still more astonishing to discover that the lessons which Rai Bahdur B. D. Shukul and his fellow Directors have been teaching to the people of the Sihora Tahsil for the past five years have, at this early stage, been successful in producing an understanding of co-operative principles where but a short time ago ignorance and suspicion prevailed. To my mind the most satisfactory result achieved and the most difficult one to attain has been the institution of savings deposits on the part of individual members of Co-operative Societies. There is now strong evidence that the savings deposits books dealt out to each member are attracting money which would otherwise be unprofitably hoarded."

This Bank has now decided to admit Rural Societies as shareholders.

The other Central Banks in the Provinces, though on a smaller scale, appear almost without exception to be very successful. They enjoy the advantage of having a large number of capable unofficial workers actively connected with their management.

#### (i) *Coorg and Ajmer.*

There are no Central Societies in Coorg, where the separate village societies apparently have no difficulty in raising money for themselves. Their working capital consists of paid up shares, accumulated dividends, debentures and deposits, and loans from Government. They have in addition a reserve fund of Rs. 12,000 of which Rs. 10,000 have been invested in Government securities.

In the Province of Ajmer there is only one Central Bank. In 1911-12, it advanced Rs. 37,828 to individual members and Rs. 1,79,987 to Rural Societies.

## § 2. GENERAL STATISTICS OF CENTRAL SOCIETIES.

\* In Table I we give the official figures relating to the kind and number of societies classed as central, the number of members in them, and their working capital at the beginning and at the end of the year. Societies

are distinguished as lending exclusively to other societies, principally to other societies, or principally to individuals. A few Supervising Unions which have no real banking functions are included in the Table, but the number of such Unions is indicated and the inclusion of the small amount of working capital owned by them hardly affects the total.

TABLE I. — *General Progress of Central Societies, 1911-12.*

Central Banks or Banking Unions :

Lending exclusively to Other Societies . . . . .	89
Lending principally to Other Societies . . . . .	12
Lending principally to Individuals . . . . .	3
Making no Loans to Other Societies during the year . .	9

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Total : Central Banks or Banking Unions . . . 113

Supervising and Controlling Unions . . . . . 7

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Total : Central Societies . . . 120

Number of Members :

At the beginning of the year . . . . .	5,685
At the end of the year . . . . .	11,361

Working Capital :

	Rs.
	—
At the beginning of the year . . . . .	49,73,798
At the end of the year . . . . .	1,07,73,984

The next three Tables show respectively the receipts and disbursements during the year, the profit and loss account, and the balance sheet of Central Societies as on June 30th, 1912.

TABLE II. — *Central Societies: Receipts and Disbursements, 1911-12.*

Receipts.		Disbursements.	
	Rs.		Rs.
Share Payments . . . . .	9,31,731	Share Capital Withdrawn . . .	67,673
Entrance Fees . . . . .	3,712	Deposits Withdrawn . . . . .	24,44,406
Deposits by Members . . . . .	55,77,421	Loans Repaid to:	
Loans from:		Government . . . . .	6,166
Government . . . . .	3,000	Other Societies . . . . .	15,91,421
Other Societies . . . . .	20,37,554	Non-members . . . . .	29,60,366
Non-members . . . . .	46,10,120	Loans to Members . . . . .	8,58,451
Loans Repaid by Members . .	5,24,509	Loans to Other Societies . . .	72,81,443
Loans Repaid by Other Societies	29,94,425	Interest Paid . . . . .	3,34,200
Interest Received . . . . .	5,71,102	Dividend and Bonus Paid . . .	66,486
Sale Proceeds of Stock . . . .	989	Stock Bought . . . . .	2,849
Other Income . . . . .	5,00,412	Establishment . . . . .	60,049
		Other Items . . . . .	7,32,011
Total Income of Year . . .	1,68,54,977	Carried to Reserve . . . . .	46,354
Opening Balance . . . . .	2,55,963		
Grand Total . . . . .	1,71,10,941	Total Expenditure . . . . .	1,64,51,878
		Closing Balance . . . . .	6,59,061
		Grand Total . . . . .	1,71,10,940

TABLE III. — *Central Societies: Profit and Loss Account, 1911-12.*

Profit.		Loss.	
	Rs.		Rs.
Interest Earned . . . . .	6,57,105	Interest Paid and Due . . . . .	40,214
Gross Profit on Sales of Stock .	1,625	Establishment and Contingent	
Other Items . . . . .	20,217	Charges . . . . .	53,704
	6,78,946	Debts Written Off . . . . .	206
		Depreciation of Stock . . . . .	355
		Other Items . . . . .	17,355
			473,760
		Balance: Profit . . . . .	2,05,186
			6,78,946



TABLE IV. — *Central Societies: Balance Sheet, 1911-12.*

Assets.		Liabilities.	
	Rs.		Rs.
Cash in Hand . . . . .	7,86,958	Loans from Non-members . .	49,16,023
Value or Investments . . . .	98,271	Loans from Other Societies . .	7,19,148
Loans due by Members . . . .	9,02,433	Interest Due . . . . .	79,780
Loans due by Other Societies	90,14,863	Loans from Government . . .	98,956
Interest Due . . . . .	1,77,171	Interest Due to Government . .	1,487
Value of Stock . . . . .	13,689	Share Capital . . . . .	15,64,696
Other Items . . . . .	52,616	Deposits by Members . . . .	32,01,365
	1,10,42,302	Interest due on Members' Deposits . . . . .	75,314
		Dividends due to Members . .	13,282
		Establishment Charges . . . .	3,486
		Other Items . . . . .	45,749
		Reserve Fund . . . . .	1,17,150
			1,08,36,430
		Balance : Profit . . . . .	2,05,874
			1,10,42,304

Comparing Table IV with the previous year's balance sheet we find that during the year the total assets increased from Rs. 51,52,791 to Rs. 1,10,42,302. Loans due by Other Societies increased from Rs. 41,71,709 to Rs. 90,14,863.

The total liabilities increased from Rs. 50,48,257 to Rs. 1,10,36,430. Of this total, Rs. 50,54,657 were due to Members and Rs. 58,15,394 to Non-members, Other Societies or Government.

From Table IV we extract the different items which make up the total working capital. These are shown below in Table V, in absolute figures and as percentages of the total working capital, and compared with the corresponding figures and percentages for 1910-11.

TABLE V. — *Central Societies: Sources of Capital.*

	1910-1911		1911-1912	
	Amount.	Percentage.	Amount.	Percentage.
	Rs.		Rs.	
Loans from:				
Non-members . . . . .	20,96,217	42.2	49,16,023	48.6
Other Societies . . . . .	1,99,135	4.0	7,19,148	7.0
Government . . . . .	1,82,294	4.0	98,956	0.9
Share Capital . . . . .	7,44,343	15.1	17,64,696	17.5
Deposits by Members . . . . .	16,80,651	34.1	25,01,365	25.0
Reserve Fund . . . . .	31,695	0.6	1,17,150	1.0
Total Working Capital . . .	49,34,335	100	1,01,17,338	100

The Table reveals no striking change in the relative proportions contributed by the different sources. Loans from Non-members and from Other Societies show appreciable increases; loans from Government, a substantial decrease. Members' Deposits have decreased relatively, and the Reserve Fund, which is still small, has increased very slightly.

### § 3. SUPERVISING UNIONS.

During the year under review there was considerable activity in the formation of Unions for the purpose of supervising and controlling affiliated societies. The direction of the movement as a whole appears to be towards the creation of Unions which both finance local societies and control them, but as no general statement can be made, we shall deal separately with those Provinces in which Supervising Unions existed in 1911-12.

#### (a) Madras.

At the close of 1911-12 there was only one Supervising Union in Madras, consisting of 19 local societies. This was in the Chingleput district, at Uttaramallur, and 2 new Unions were formed in the same district in 1911-12. These three Unions now include 60 affiliated societies which are represented by 191 delegates. During the year the Unions recommended to Central Societies 42 loans and 41 extensions of loans applied for by member-

societies. In these three Unions liability is unlimited, but it has been decided that any Union formed in the future will be on the basis of limited responsibility.

The growth of Supervising Unions in the Province has been very slow. In explanation the Registrar refers to three difficulties which have impeded their extension — the practice of organizing Unions as unlimited liability societies, the fact that the expense of maintaining them fell most heavily on well-to-do societies, and the difficulty of finding men to undertake their management. The first difficulty has been removed and it is hoped to solve the second and third by creating District Unions which will cover a much wider area than the existing local Unions. One such District Union has already been formed on the basis of limited liability and will finance societies as well as supervise and control them. No information, however, as to its working is yet available.

(b) *Bengal.*

In Bengal the 6 Central Banking Unions are also Supervising Unions, whose objects, as stated by the Registrar, are "to organize co-operative societies, to control them by regular and careful inspection and to finance them, and generally to carry on a banking business with their affiliated societies." Some of the Unions fulfil a very useful function in settling complicated disputes that come up from village societies for arbitration.

The Unions contribute a part of the salary of inspecting clerks who are placed in charge of such areas as show promise of extension. These clerks are at first paid by Government, but they are not regarded as forming part of the Registrar's regular staff and their salaries and travelling expenses are gradually transferred to the charge of the Unions. In some cases local societies without being affiliated in Unions unite to pay part of the expense in connection with the appointment of an inspecting clerk. The Registrar is very favourably impressed with the work of the local clerks. He writes: "I consider the scheme of the appointment of local clerks very sound. It is a part of the scheme for the devolution of the detailed control of the movement from the Registrar to the societies themselves. As such, it is entitled to liberal assistance from Government".

In the year under review one purely controlling Union was at work in Bengal at Sadarpur in the Faridpur district, but it had not yet been registered. There was also an unregistered Central Committee at Madanpur in the district of Murshidabad, which met under the Chairmanship of the Principal of Berhampore College to discuss the difficulties of the societies in the district and remedy their defects.

(c) *Punjab.*

There are 14 Unions in the Punjab which are primarily Central Banks but which are intended to act also as Supervising and Controlling

Unions. The two Unions referred to in last year's report — the Madar Union and the Union at Talwandi Musa Khan — continued to do good work in 1911-12. Four new Unions were founded during the year in the Gurdaspur district and two of them have already decided to appoint Sub-inspectors of their own. On June 30th, 1912, the number of societies in these four Unions was 128. Three new Unions including 134 societies were formed in the district of Hoshiarpur, and one of them had decided to pay the salary of a Sub-inspector.

The remaining Unions were in a very early stage of their existence and the Registrar in his Report confines himself to noting the fact of their formation.

It is worth recording that four of the Unions, in the Province undertook agricultural demonstration work during the year.

(d) *Burma.*

The system of grouping societies into Unions for supervision and control is most highly developed in Burma where there are 43 Unions comprising 486 Rural Societies. The funds of the Unions, which amounted in 1911-12 to Rs. 5,262 are devoted chiefly to payment for inspectional work. Their officers also do much useful teaching work. Union Committees have been very successful in inducing creditors to reduce their claims with respect to old debts of members of the societies.

When a Union is well-established and is recognized as efficient the societies comprising it are able to open current credit accounts with the Upper Burma Central Bank and the advances made by the Bank are simply reported to the Registrar. In other cases the prior sanction of the Registrar must be obtained for each loan.

The Registrar in his Report testifies from his experience as to the usefulness of well-managed Unions. He writes :

"The assistance given by Unions continues to increase in value. Where there are efficient Unions the time spent by the Registrar and staff on inspection and teaching is very much reduced. Thus Swebo with 183 Societies, of which 179 were affiliated to 11 Unions, occupied but 17 days of my time in the year ; whereas Kyauksé with 56 Societies and five, as yet, inefficient Unions, took 14 days and Katha with 14 Societies and one Union, twenty days. Where Societies are federated it practically means that the most competent men control all the Societies and bring those that would be indifferent in accounts or management up to the level of the best".

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The information given above relates to all the Provinces of British India in which Supervisory and Controlling Unions were working in 1911-12. In Assam, there was one Union but the only information with regard to it

in the Registrar's Report is to the effect that it comprised only 4 Societies and had not proved a success.

At the beginning of the year under review, there were 4 Unions in the Central Provinces and Behar. These have since been dissolved as unsatisfactory. They bound a large number of Societies together in joint and unlimited liability and it was found in practice that the liability of one village Society for the debts of another was not understood and could not be enforced.

In Bombay, there were no controlling Unions in 1911-12, but the problem of supervision had already become urgent and the Registrar in his Report recommends the formation of District Unions as the natural solution. "These bodies", he writes "should primarily have supervising and controlling powers over their affiliated societies. If such Unions can be organised, they will certainly meet the need for more effective supervision and will also relieve the Registrar and his staff of duties which they cannot adequately perform".

We have already referred to the difficulty of making any statement with regard to the whole of India. The advantages of Unions for supervision and control are generally recognized and the practice of federating societies has been definitely adopted in nearly every Province. The question as to the precise functions which can and which ought to be delegated to such Unions remains to be settled, and the form of Union adapted to any particular district can apparently only be settled by the light of experience.

One possible disadvantage of the system of controlling Unions has already been illustrated in some districts, where it has been found that the close supervision exercised by the Unions tended to hamper the growth of a spirit of initiative and independence in the village societies themselves. This result, however, is by no means a necessary consequence of the partial regulation of local societies by Unions, and can be avoided by the exercise of due care and forethought in framing the rules and bye-laws of the latter organizations.

## FRANCE.

### I. CO-OPERATION IN FRENCH VITICULTURE.

#### SOURCES :

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- GAVOTY (Raymond) : *Les coopératives de production (Co-operative Societies for Production)*. (Rapport au Congrès National des syndicats agricoles. Nancy, 1909).
- DO— : *La Coopération en agriculture (Co-operation in Agriculture)*. (Rapport au Congrès national des syndicats agricoles. Toulouse, 1911).
- SALGUES (A.) : *La société coopérative vinicole de la Haute-Garonne (The Haute-Garonne Co-operative Wine Society)*. (Rapport au Congrès national des syndicats agricoles. Toulouse, 1911).
- COUZINET (Augustin) : *Coopératives de production et de vente (Co-operative Societies for Production and Sale)*. (Rapport au Congrès d'Agriculture. Toulouse, 1908).
- PASQUET : *La distillerie coopérative dans le Midi (Co-operative Distilling in the South)*. (La Vie agricole et rurale, April 20th., 1912).

\* If the viticultural crisis from which France is still suffering has had any happy result, we may say it is that it has induced populations essentially individualistic to co-operate. The viticulturist is extremely attached

to the produce of his farm: it is a quite special joy to him to gather his grapes, to make his wine. It is more than commercial interest, a personal pride is associated with his work. Everyone thinks he is doing better than his neighbour; he sets himself to do so and is very well satisfied when by a happy chance his wine is sold at a higher price than another's; he sees in this the triumph of his system, of his method, which has enabled him to profit.

This attitude, of course, makes it very difficult for viticulturists to accept co-operation and this gives only greater interest to the remarkable enquiry just completed by M. Misaël Gervais, President of the Poussan Co-operative Distillery and of the Central Syndicate of Co-operative Distilleries, the results of which we shall now briefly give, classifying, as he himself does, the societies according to their objects: sale of wine, collective winemaking, utilisation of bye-products.

#### § 1. CO-OPERATIVE SOCIETIES FOR THE SALE OF WINE.

The simplest form of viticultural co-operative society, which apparently requires the least expenditure and seems to be the most practical, is that for the sale of wine. Really, it is perhaps the most delicate form, presenting the greatest risks, and, therefore, the most difficult to keep up. It has the capital defect of not taking sufficient account of the individual, as the co-operative winemaking society does, with which it cannot dispense as it has no other cellar in which to make its wine.

The great advantage of the co-operative society for the sale of wine is that it allows the viticulturists to make profit out of their produce, by pooling it and assuring them of markets, or quite simply by selling at the most favourable moment.

The co-operative societies for the sale of wine may be classed under three heads:

(a) *The Credit Society*, which limits itself to lending money on bills to be discounted, renewable every three months, on the security of the signature of a guarantor or, in default of this, a warehouse certificate for the wine.

(b) *The General Sale Society*, which is a simple union of sellers. The representative of the society sells the wine at its disposal to the best advantage, the proprietor bearing his part of the expenses, in proportion to his share in the business or the number of hectolitres sold. The success of the enterprise depends on the brokers employed. On the other hand, the society does not require a large working capital, the members being generally owners of large or medium sized vineyards and not requiring large credits. The rules may provide for such credits and, according as the society has to give them or not, the amount and the number of the shares will be more or less large.

A society of this character may unite members of widely separated regions and very different kinds of produce. There is no difficulty to be feared in regard to the valuation of the contributions in kind, as the wines are sold separately. Thus, contrary to the general custom, the head quarters should be established in a large centre of consumption or a town so that the members of the association can easily meet together.

As in every serious business, the members bind themselves for a certain time, but, in view of the small amount of the credits involved, they are allowed some latitude, and may either resign before the new season, or resume their liberty, at a fixed date, for example, the end of May, to sell their wine themselves, if the society can not ensure its sale.

(c) *The Co-operative Sale Society Proper*, which, unlike the above mentioned, is formed among proprietors of the same commune or region, making wine of similar character that can be easily divided into classes and mixed. An association of this kind cannot be founded when the produce is too dissimilar, as an infinite variety of classes would be necessary and the classification would become very difficult.

The contribution, which is the starting point for all co-operative societies for production, and the sale, which is the end for which they are formed, are the most delicate matters to be regulated. Each must have a very clear basis not open to dispute.

With regard to the valuation of the contributions, let us say, that generally, the wine is classified, according either to the specific gravity, the type, or the colour of the wine or the age of the vines.

A special commission is instructed to take samples, analyse them and classify them under different heads. When the origin is known, these operations are performed in the presence of the party concerned. Otherwise, the samples, closed in a parcel, sealed and numbered, are submitted to a tasting commission for its opinion. These various procedures are due to the standard for judging the value being more or less arbitrary. If the valuation is based on the specific gravity, the weight may be taken openly where everybody can see. If, on the contrary, it is based on taste and quality, the tasters must be ignorant of where the wine comes from, so that all disputes may be avoided. For the latter case, some societies have instituted courts of appeal for cases in which the member is not satisfied with the classification of his wine.

In regard to the sale, there are two methods of proceeding: either the society regularly buys its members' wine wholesale at a fixed price, accepting all the obligations entailed; or it is satisfied to sell when requested each class of wine the owners engage to leave entirely at its disposal, advancing the members sums on account according to their requirements and the amount of the wine deposited, but only fixing the price and distributing the proceeds at the end of the season. Most frequently the societies arrange for the above advances to be made to their members individually by the credit banks on their guarantee.

Although the financial system is in this way much simplified, it must, however, as M. Misaël Gervais remarks, have a sound basis and the Board



of Management must be able to rely on the adhesion of all members at least for a certain time. So they may be asked to bind themselves for some years if possible, and at any rate to contribute the number of hectolitres they have signed for. It might, in fact, happen that if the Board of Management has sold all the wine at its disposal and the prices rise, some unscrupulous farmers, attracted by the larger profits, might sell wine they had no longer the free disposal of. However, some societies allow their members to resign at the end of a year after due notice given to the Board. Some even have neglected to insert in their rules the obligation to contribute a definite proportion of the vintage. It is no doubt to the rapidity and carelessness with which the rules are too often compiled that we must attribute the almost complete failure of the co-operative sale societies. They had some popularity at the date of the viticultural crisis, when the advantage of direct sale to customers was seen in the prices thus obtained being higher than the average given by the trade. But on the return of prosperity all were glad to regain their liberty, entirely forgetting the co-operative society and concerning themselves very little about the engagements entered into by the Board of Management.

The year 1910 was particularly disastrous for the co-operative sale societies. Having bought their members' wines at fixed prices at the commencement of the season, they found they had paid from 36 to 40 frs. for wine when the prices fell to 27 frs. in May, 25 frs. in June and 22 frs. in July. The society, obliged to supply its customers according to their requirements for the whole year, had to sell at a loss. At the end of the season there were deficits of 100,000 frs., 80,000 frs. and 50,000 frs.

## § 2. CO-OPERATIVE WINEMAKING SOCIETIES.

The co-operative winemaking societies owe their origin to the realization that one of the principal causes of the fall in price is the quantity of wine not stored, but in certain regions thrown upon the market at the beginning of the season, causing, at the very moment of the establishment of prices, a fall in price very seriously affecting present and future business. After the crisis caused by the phylloxera, the vineyards were more rapidly reconstituted than the cellars and also new vineyards were planted in the sands and in the plains with unexpected results; to this is due the abundance of wine not stored in cellars.

The remedy was found in the foundation of collective wine cellars, for the reception of wine not stored and the association, in connection with them, on a more stable basis than that of the societies for the sale of wine, of the proprietors, including even those able to store their wines, but desirous of profiting by the industrial and commercial advantage offered by co-operative organization. Not only in fact does the collective wine cellar withdraw from the market the surplus amount of wine or such wine as is not stored and would have been thrown upon it, but by means of the

most improved methods of winemaking, it allows of the utmost advantage being taken of the contributions in kind, in regard to their quantity, while producing a wine superior in quality to that the wine farmer himself could have made. The individual finds this to his advantage and he realises larger profits. So it is no surprise that the idea has transcended the limits of the region where its application was strictly necessary and spread to communes in which every body saw his personal advantage in it.

*Members' Engagements. — Resignations. — Expulsion.* — Generally speaking, the co-operative societies are open to all wine farmers, and the number of members is unlimited, the Board of Management always deciding in regard to the reception of new members. They often pay an entrance fee; thus, in some societies in Var, especially at Flassans, every new member must pay an entrance fee calculated on the total amount of the profits realised by the society and in proportion to the number of hectolitres of wine he declares his intention of storing.

It seems, says M. Misaël Gervais, that members must always be asked to engage for a certain term, so that the society may be able to count on their support and on their contributions in kind, which is the more indispensable as the society will have considerable expenses in the purchase of land, the building of warehouses, the installation and equipment for winemaking.

The rule has been adopted in the societies of the Pyrénées-Orientales, founded for a period of 25 years, which may be extended. However, by way of exception and in order not to suffer from the forcible retention of unwilling members which would be rather a source of embarrassment than an advantage, the Board has authorized a few farmers to resign.

On the other hand, in the Camps Co-operative Society, the oldest of those in Var, which has served as a model to the others, the members may, under certain conditions, resign any year. They do not lose their shares, but either the amounts are refunded, or they retain them as their personal property, but they lose all share in the reserve and other funds, and they remain jointly and severally liable for all the engagements and debts of the society contracted before their resignation. This shows a great faith in the strength of co-operation and experience has justified the founders of the Camps winemaking society, since, in spite of resignations, the number of members has increased from 25 at its start to 105 to-day.

The rule is the same in the societies of Maraussan and Saint-Georges (Hérault), and Lézignan (Aude), but there is the further provision that resignations cannot be accepted if there is risk of the capital being reduced to less than a third (Maraussan), or a half (Saint-Georges), or a tenth (Lézignan).

In fact, as M. Misaël Gervais says, it is prudent only to allow resignations with the most express reservations, and to limit them to cases of necessity of which the Board is sole judge. Convenient notice, however, must be given of the resignation, generally before the closing of the financial year. It is out of the question that it could take place at the beginning of a season; thus, at the Congress of Toulouse, in 1911, M. Raymond Gavoty mentioned the case of a society which had thought it right to sell its members'

wine in August, 1910, at 30 frs., while at the beginning of the season the price was 40 frs. Several members wanted to resume their liberty; they only yielded when threatened with legal proceedings.

In addition to providing for resignations, most of the societies have also made provision for expulsion. Some treat expelled members in the same way as resigning members, so that they keep their rights to their share in the capital of the society until their payments on shares have been refunded to them. Others, on the contrary, refund their amounts to the expelled members immediately. Finally, a third group declares all their rights forfeited.

*Indivisibility of Shares*—*Number of Votes in the General Meeting.*—Most of the co-operative societies have only indivisible shares and require that they be made out to the name of a single holder.

Most usually, each member has only a single vote, however many shares he subscribes. In the co-operative society of Pignans (Var), the following scale has been adopted: from 0 to 99 hectolitres, 1 vote; from 99 to 199 hl., 2 votes; from 199 to 299 hl., 3 votes; from 299 to 399 hl., 4 votes; from 399 to 499 hl., 5 votes, which is the maximum and cannot be exceeded, whatever the number of shares.

*Obligation to Deliver the Whole of the Vintage.*—M. Misaël Gervais thinks it would be well to insist on the entire vintage being delivered, so as to obtain from the start a very large turnover which would permit of a very early extinction of the debt. At most some slight deviations from this rule might be allowed, especially in regard to the production of wine for household consumption, or that which the member declares he wishes to reserve for customers it is important for him to keep, or that of special types not included among the classes formed by the society. In any case, the contribution should never be optional; if it is not the whole vintage, a minimum percentage must be fixed in advance, easy to check when the report on the vintage is published.

*Valuation of the Contributions.*—The most delicate business of the winemaking co-operative societies is the valuation of the produce. At Camps (Var), precautions are taken before the harvest, and a Commission visits the vineyards to assure itself of the condition of the produce, and the greater or less maturity of the grapes. The farmer whose grapes are judged poor will be requested to keep them, or if he desires to bring them to the society, to allow the wine to be made separately and sold for what it can fetch. The societies of this region also fix the date at which the vintage shall commence, thus ensuring that the grapes shall be sufficiently ripe to make good wine, and taking care in advance that there shall be no possibility of reproaching the farmers with having spoiled the whole of the wine, by the contribution of unripe grapes or such as ran the risk of rotting before the end of the vintage if that were too long delayed.

The means for estimating the value of the vintage are as various as the classes of co-operative societies themselves; sometimes the valuation is made per 100 kg. of grapes and sometimes per hl. of wine. In the societies in which the contribution is made in grapes, account is taken of the

colour of the grapes, their quality and the specific gravity of the must. The weight, which is checked on arrival, is taken into consideration, because the quality of the vine has an effect on the quantity of wine produced. On the contrary, in the societies which limit themselves to receiving their members' wines in a collective cellar, valuation is made per hectolitre, invariably, though classification may also be made according to the quality.

In any case, whatever system is adopted, a ledger must be kept with a special account for each member, showing first all the contributions in kind, then their value, the deductions made to form or increase the capital of the society and the reserve fund as well as the yearly dividends.

*Advances.* — These societies are generally prudent in the matter of advances. Most of them, like the societies for sale of wine, confine themselves to binding their members to apply individually to the credit banks, while they stand security. The Lézignan society, which has a credit society in connection with it, grants between the 5th. and 25th. October, an advance of 4 frs. per hl. at 5% interest, to be paid either out of the working capital of the society, the deposits or the funds of the dependent credit society. A second advance of 4 frs. is also allowed between November 25th. and December 31st.

In the Algerian co-operative societies advances are allowed up to half the value of the members' wine. The interest is the same as that the society pays. If the society has contracted no loans, the interest charged on advances is 5 %.

The Pyrénées-Orientales societies lend at 2 % more than the rate of discount of the Bank of France.

*State Advances.* — The co-operative societies have to repay the costs of their installation and the long term loans made to them as well as their capital.

The expenditure for installation must be repaid within a year or two at most. Arrangements can be made with contractors deferring payment of their claims for a certain term, but this term must not be too remote. The capital and the long term loans serve as the security for payment.

On the contrary repayment of the capital may be delayed. The shares subscribed are of so small value that the members can allow the amounts to remain locked up for a long time.

There is still to be considered the repayment of the long term loans which served to cover the costs of installation.

These are loans granted by the State up to twice the amount of the share capital. Hence it is to the interest of the societies in most cases to form a fairly large share capital. This is the greatest difficulty at the beginning, most usually removed by the generosity of a few members, who, alone, subscribe the greater part of the capital. On the other hand, repayment may be made in 20 or 25 years and the rate of interest is only 1 ½ % or 2 %.

These advances may be repaid in four ways :

(a) — First, automatically, by means of the proceeds of the collective treatment of the grapes in excess of the amount estimated according to the valuation of the contributions in kind. Thus, at Marsillargues, it was calculated that a small holder required 150 kg. of grapes to make 1 hl. of wine ; the co-operative society succeeds in making it from 120 kg. The society gains by the difference. The individual can make no claim, as, alone, he would have been unable to obtain more than is now paid to him. Besides he loses nothing, as he will find later that his share in the real estate of the society returns to him what is due to him on the basis of his contributions in kind.

(b) — The second and most usual way is by making annual deduction for a reserve fund for repayment of loans. This is compulsory in the case of societies receiving advances from the State. It is included among the provisions in the public administration regulations of August 26th., 1907.

The amount to be deducted may be fixed in the rules or settled year by year by the Board of Management or the general meeting. M. Misael Cervais considers this latter system the most reasonable. It allows of account being taken of the greater or less profit in the year and of the deductions being made in proportion to the vintage and the price of wine. They may thus be very small in bad years and larger when the harvest is more considerable and the sale very remunerative.

(c) — We must mention a third way of increasing the amount intended as repayment, without effort on the part of the individual and without inconvenience to him. This is by utilising the by-products. Some of these, although they could have been treated, have been so neglected, that the farmers took no account of them in calculating their yearly revenue. Consequently, they will not suffer by the loss for a few more years. Some societies even expect by the utilisation of their by-products to cover their annual working expenses completely.

(d) — A fourth method is the most profitable of all. Some societies, recognised to be of general utility, have obtained assistance from the Agricultural Improvements Service and subventions from the State. They have thus had the advantage of obtaining estimates and plans for their installation free of charge. For the purpose, it is enough to present an application to the Prefect who proceeds to investigate. If the object of the application is of general interest, it is granted by a Commission at the Agricultural Department in Paris. The engineers of the Service immediately place themselves at the disposal of the society, which benefits by their expert knowledge and together with which they study the best way to utilise the buildings and land, which they are shown. Their assistance is extremely valuable, for the farmers, often little acquainted with matters of rural engineering, obtain the assistance of men who have made a special study of these problems. The society has afterwards only to carry out the works in their entirety. The Agricultural Improvements Service appoints an architect to make studies in association with its employees, deals with

he contractors in the name of the society, supervises the work and examines the accounts, all of which gives the society very great security.

In addition to this, the State grants subventions amounting, according to circumstances to a fifth or a sixth of the total of the expenditure estimated, and only paid after the expenditure is really incurred and shown to be justified.

Unlike the advances, which must be eventually repaid, the subvention is a permanent acquisition and its amount makes it the more appreciated, as it greatly reduces the sacrifices the members have to make for repayment of the debts of the society. The Algerian societies also receive special subventions from the Algerian Government. So they have had no need to apply for advances from the Republic.

*Sale of Wine.* — The Board of Management generally takes the initiative in the sale of wine. At Marsillargues, each member, if he so desires, may take part in the sale business; he does not himself sell his wine, but he registers it in the society's books, and the society sells it in lots corresponding with the amounts registered. When a satisfactory offer is made, the Board assembles the parties concerned and submits it to them. If all agree, the whole lot is sold; if only some accept the offer, only their portion is sold. Thus, it is in the Marsillargues society that there is the greatest individual liberty. Except for the engagement he has to make when subscribing to pay for fifteen years the total amount of 15 frs. per 100 kg. subscribed, the member sacrifices none of his liberty. He may even leave his wine in deposit for several years, provided he does not occupy more than his share of the warehouse, otherwise he must give up making wine until there is sufficient room. In this way, the Board of Management relieves itself of all responsibility and avoids the difficulties that might arise with members through a too considerable rise in price. No one but the member himself is responsible for the successful or unsuccessful sale of his wine.

### § 3. CO-OPERATIVE DISTILLERIES.

These societies owe their origin to the utilisation of by products in winemaking.

*Members' Engagements.* — As in most of the winemaking societies, membership is open to everybody, and the number of members is not limited. In these also, entrance fees are required from new members, but these fees must be as low as possible, as it is always well to have the largest possible amount of the residuum of grapes (the raw material), and that the original members, who have had, indeed, to support all the risks, should be relieved by the entrance of new members sharing with them the burden of the general expenses.

The Poussan co-operative society has arranged the matter as follows: The entrance fee, according to the rules, is not paid in money; account is merely taken of the later date of entry of the new members as compared

with the founders. As the latter have sacrificed the profits of the first working years in order to form the share capital and reserve fund, the new comers, in their turn, instead of sharing in the annual dividends, sacrifice an equal amount. Neither the original members nor those entering the society later lose these amounts, which go to form the shares and pay 4% interest. But as in the present working years the working expenses are the higher on account of the interest to be paid to shareholders and the repayments that must be made of the State loans, the new members have to support somewhat heavier burdens than the original members had to at the start. The latter, also, benefit by the larger number amongst whom these burdens are distributed. Let us add that the system has given good results. The Poussan co-operative society finds the number of its members greater every year and it has already increased from 113 to 177.

In the case of the co-operative distilleries, in which the cost of installation is not extremely great, as it is in the winemaking societies, and which are able to pay off their debts more rapidly, it is reckoned that at least three years must pass before success is assured. Thus, generally, the members have to bind themselves for three years, during which they cannot resign, except in special cases of necessity, of which the Board of Management is sole judge. The societies also insist that the entire quantity of the residuum of the grapes must be contributed.

*Valuation of Contributions.* — In almost all the societies this residuum contributed is dealt with in quite the same way, being weighed on arrival and the weight registered to the account of each member, on the principle that sometimes quantity is made up for by quality and vice versa. What is lost in degree is gained in volume: so there is no occasion for anxiety.

However, in the Bizanet Society (Aude), account is taken not only of the weight of the residuum of the grapes, but of the degree of alcohol in each members' wine. The tuns are sampled and the average weight per cellar established. The distribution is made on the basis of the product of the weight of the residuum multiplied by the degree of the wine. This is certainly the most equitable system. But it complicates the accounts and occasions labour out of proportion to its advantages.

However, there is a case, in which it may be indirectly useful, apart from the main question. The samples taken at the vintage are kept by the society and may serve as evidence in case difficulties arise between co-operators and purchasers or the Service for the Repression of Adulteration. The co-operators are thus guaranteed against trouble due to an incorrect analysis, or lowering of the standard of the wine, in transit, through theft and watering. They will be glad to find in the society a defence which can in no way be impugned.

*Financial System.* — The financial system of the co-operative distilleries closely resembles that of the co-operative winemaking societies. However, they had less need of share capital paid up in money and were able more easily to obtain short term loans or work with the assistance of advances without interest, that they could easily repay out of the proceeds of the alcohol they sold. Yet most of them have wished to have a share capital

in money either, as more systematic, or, in the case of those desiring State advances, in order to meet the requirements of the law; those that were unable to get it subscribed at the start, have used the profits of the first few years to form this capital.

The financial system of the co-operative distilleries would not have required long term loans or State advances, if the societies had been satisfied with producing alcohol from residuum of grapes, as the installation would have been very inexpensive, but, either through fear of future losses on this product, or the desire to profit by the higher commercial value of the alcohol made from wine, a certain number began to make *piquette* and high class spirits. This necessitated very expensive buildings and plant and it was impossible to pay for them out of the profits of one or two seasons.

It, therefore, became necessary, as in the case of the winemaking societies, to apply for long term loans and advances from the State, which the distilleries can easily repay, as they have not to grant advances to their members and are not obliged to divide all their profits among them. They can set aside every year a part or even the whole of their net revenue for their reserve fund and for the extinction of their debts.

For the immediate regulation of their working expenses, like the co-operative winemaking associations they obtain short term loans, they can easily repay out of the proceeds of the sale of their alcohol. The Poussan co-operative distillery opened a current account with the Bank of France on the security of documents of title deposited with it, with drafts to be discounted at 3 %. At the end of the second season, the securities were returned to the holders and substituted by securities belonging to the Society itself forming its reserve fund. The method is as follows: the securities deposited bear interest for the whole year; during the season, they serve as security for loans at 3 months on the security of drafts discounted at 3 %, thus balancing the amount of the discount, and, when once the drafts have been paid, interest is again paid on them, without any difference.

Other societies keep the amount of the reserve fund in their own safes or invest it in shares in the regional banks where they discount their paper according to their requirements.

#### § 4. GENERAL RESULTS.

In the course of his enquiry, M. Misaël Gervais found some sixty co-operative winemaking societies in France, ten in Algeria and 30 co-operative distilleries, to which may be added from 25 to 30 societies for the sale of wine.

• These figures are indeed very low, but the results obtained are very important.

Leaving out of consideration the co-operative societies for the sale of wine, which have been quite unsuccessful, we find the wine making societies



and distilleries very prosperous. This is due largely to their selling, in preference, to the wholesale trade in accordance with local usage, avoiding all the risks of retail sale, which is most usually carried on on the credit system.

In all these societies the capital is very quickly repaid. It is true that they have been favoured by the high price of wine and spirits.

In the winemaking societies the results are seen in a higher yield, an improvement of the product, and far greater security and tranquillity for the producer. The individual is relieved from all anxiety and all risk; his annual expenses are reduced. He may devote himself more extensively and more completely to the cultivation of the soil and obtain a larger revenue. He need not build a cellar, or buy plant for winemaking, which is comparatively more expensive for small establishments and quickly deteriorates. And at the end of the year, he finds he has realised higher profits than he could have done by himself.

In most co-operative societies, in fact, the collective revenue is much higher than the individual revenue of the several small farmers. The societies have, up to the present, used their surplus funds for the extinction of the debt on their real estate, but, when this is paid off, the members may divide the whole of this surplus amongst themselves. It is by no means astonishing, therefore, that the example of the existing societies leads to the foundation of numerous similar ones.

The quality of the wine produced in cellars fitted up as perfectly as those of the co-operative societies, with every possible care, and made in accordance with the most scientific principles, excluding any possibility of fraud, considered in connection with the higher prices already obtained by collective storing, puts the co-operative members in a far better position for selling than private individuals.

Let us add that the moral advantages of the wine co-operative societies are equally appreciable. According to M. Roger Marès, in Algeria, co-operative societies, by the union of interests, have almost entirely extinguished party spirit and have led to lasting alliances, often difficult to form among a mixed population. These moral benefits are perhaps not the least important advantages of the system.

In regard to the co-operative distilleries, if the results are less remarkable, they, however, show a little increase in the profits of the individual, which is not to be despised (1), as well as of the society, through the inspiration and maintenance of a spirit of solidarity among the wine farmers and the protection of natural wines, threatened by the competition of wine manufactured from grape residuum and piquette, which these distilleries suppressed at the start.

The co-operative distilleries are not yet very numerous, but, wherever one has been founded, others have arisen in the immediate neighbourhood and on the same model. We have a striking example in the canton of

(1) Practically, according to M. Misael Gervais the profit is 3, 4 or 5 frs. per 100 kilos. It is sometimes 6 frs., and, in 1910, at Olonzac, it was 9 frs. per 100 kilos.

Mèze (Hérault), where, for seven villages, five societies have been founded and another is in course of formation, all of them due to the influence of that of Loupian, the first founded in the region.

In addition, each society has found its members increase appreciably in numbers. At Poussan, the number increased from 113 to 177. At Mèze, the members were 170 in 1909 and 265 in 1910 etc.

There is still further progress to be made, and the societies have united with each other for instruction and defence. Some have formed the *Union des Coopératives* (Union of Co-operative Societies), including also winemaking and sale societies, closely connected with the Regional Bank of the South and consisting above all of societies that have received State advances; others have founded the *Syndicat Central des coopératives de distillation* (Central Co-operative Distilleries' Syndicate), affiliated to the *Confédération générale des Vignerons* (Wine Farmers' General Confederation) and the *Union Centrale des Syndicats des Agriculteurs de France* (Central Union of French Farmers' Syndicates). This Syndicate includes many societies that have received advances from the State and some others that are financially independent. These two groups are now a power that cannot but be of great use to the cause of the co-operative societies and increase their attractive power.

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## 2. MISCELLANEOUS NEWS.

CO-OPERATIVE DAIRIES AND THE MILK SUPPLY OF PARIS. — The Federation of the Co-operative Dairies of the Paris region held its general meeting on Friday, February 20th., 1914. After an exhaustive examination of the present conditions of the supply of Paris, and to prevent any attempt at a monopoly and ensure the regular daily arrival in sufficient quantity of pure, wholesome and highly nutritious milk, the meeting decided to organize a vigorous campaign by means of propaganda and lectures in all the departments of the outskirts where the production of milk for sale is specialised, in order to put a stop to its collection by industrial societies, and to substitute for them everywhere a reasonable and scientific organization based on the association of the farmers in co-operative and mutual livestock insurance societies.

Establishments for its receipt on arrival and its immediate consignment to the dairymen or their associations will be established in turn at the large stations and will thus ensure the definite suppression of intermediaries for the benefit both of the consumer and the producer.

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## ROUMANIA.

### COLLECTIVE FARMS AND CO-OPERATIVE CREDIT SOCIETIES.

#### OFFICIAL SOURCES:

BULETINUL STATISTIC AL ROMÂNIEI (*Bulletin of Statistics of Roumania*). Published by the General Statistical Division of the Agricultural Department. Bucharest, 1914.  
CASA CENTRALA A BANCILOR POPULARE SI COOPERATIVELOR SATESTI. Anuarul Bancilor Populare si cooperativelor satesti din România pe anul 1911. (*Central Bank of the People's Bank and Rural Co-operative Societies. Yearbook of the Roumanian People's Banks and Rural Co-operative Societies for the Year 1911*). Bucharest, 1913.

It may be said there are few countries where the agricultural and economic progress has been so rapid and so important as in Roumania. One of the most characteristic indications of this progress is afforded by the study of the co-operative movement, recently illustrated in abundant and interesting detail in the Yearbook published by the Central Bank of the People's Banks and Rural Co-operative Societies. We find from this yearbook, that on January 1st., 1912, the situation was as under :

3,356 co-operative societies of every kind.

592,360 members.

84,390,958 lei, capital paid up. (1)

These figures may be divided as follows :

Kinds of Co-operative Societies.	Number of Societies	Number of Members	Paid up Capital (lei)
People's Banks . . . . .	2,755	510,118	79,592,265.52
Collective Farms . . . . .	378	62,009	2,486,433.66
Co-operative Distributive Societies . . . . .	210	9,916	1,262,709.54
Co-operative Sale Societies	69	2,338	202,237.00
" Societies for			
Forest Exploitation . .	119	6,677	770,220.31
Co-operative Dairies . . .	7	351	7,794.42
" Bakehouses . . . .	18	951	69,297.66
Total . . . . .	3,556	592,360	84,390,958.05

(1) 1 leu = 1 fr.

We shall at once say that on September 1st., 1902, the total number of Roumanian People's Banks was 700, with a paid up capital of 4,250,600 lei, and less than 60,000 members. We shall further say that in 1903 there were only 8 collective farms. In less than ten years the people's banks are four times as many as they were and the capital is almost twenty times what it was. The collective farms have increased from 8 to 378. These few fragmentary details would suffice to give an idea of the enormous progress made by this form of economic action. However, it is not enough merely to state the facts. We must also at least try to explain them. In a previous article on the Roumanian land reforms (1), we spoke at length of the causes of general character which have placed Roumania on the road to rapid agricultural and economic progress, and we refer our reader to it. With regard to the specific causes, it would scarcely be possible to group them together so as to be able to speak of them; but it is necessary to study them separately in the case of each of the principal forms of co-operation. So in this article we shall study the progress made by the collective farms and People's Banks of Roumania.

#### § I. COLLECTIVE FARMS.

As has been very well said by M. Colesco in the Roumanian Statistical Bulletin (2), collective farms are a characteristic of the Roumanian co-operative movement, both on account of their importance and of their rapid development. In this class of society, Roumania, in fact, is in advance of all the European nations, even of Italy, where, however, in a certain sense, collective farming had its origin.

M. Colesco, in an important monograph, published in our bulletin (3), has shown the conditions under which these farms have developed in Roumania. It will thus be interesting to consider the circumstances under which they were founded.

The collective farms are a result of the special economic conditions of Roumania, and, according to M. Colesco, they were formed absolutely without regard to experience and trials made in other countries. In the industrial countries of the West, the co-operative movement was a reaction against capitalistic enterprises of the nature of monopolies, trusts, corners etc. In Roumania, besides ordinary trusts and corners, there was another form of capitalistic enterprise, also of monopolistic character, the lease trusts. It was this that caused the appearance and development of the collective farms, which are thus the practical form taken by the necessary reaction.

(1) See *Monthly Bulletin of Economic and Social Intelligence*, May, 1914.

(2) See *Buletinul Statistic al Romaniei*. Series III. Vol. XII, 1914. Nos. 32-33, pp. 213 et seqq.

(3) *Bulletin of Economic and Social Intelligence*, October-November, 1910, p. 201.

These collective farms, together with the associations for the exploitation of forests, come under the general head of co-operative societies for production or farming. As we know, the course of things was similar in Italy, but there was a difference, however; in Italy there are two types of collective farms, some under joint and others under divided management, whilst those of Roumania are all of the latter type. We reproduce from M. Colesco's article certain figures for the last few years completing the statistics published in the number of this Bulletin for October-November, 1910.

*General Situation of the Roumanian Collective Farms, January, 1st., 1910.*

Year	Number of Societies	Number of Members	Area Leased Ha.	Annual Rent Lei	Capital Invested Lei
1909 . .	273	36,371	190,721	5,574,531	1,286,524
1910 . .	347	45,583	248,340	7,762,871	1,954,118
1911 . .	378	62,009	283,381	9,230,806	2,486,433
1912 . .	487	65,170	360,922	12,404,085	3,944,068

Thus we see that in 1912 these associations had leased an area of almost 370,000 ha. In the same year, all the small Roumanian farmers on holdings of less than 100 ha. were farming altogether 4,122,689 ha. Of this area, 739,595 ha. were leased, whilst the remainder was the property of the farmers. Thus half the area leased by small farmers was worked by the collective farming societies.

In 1912, an amount of 12,404,085 lei was paid for the area leased, an average of 33 lei per ha.

The total business done by these associations exceeded 47,000,000 lei in 1912.

In his interesting article, M. Colesco attributes the success of the Roumanian collective farms to two principal causes: first, to the encouragement received from the State and the institutions of public utility and, secondly, to the technical superiority of this system of farming.

The State and certain institutes of public utility have assisted the development of collective farms, by placing land at their disposal and giving them the preference over other kinds of farms. These favours are conceded both by public institutions and by the State as proprietor, in virtue of wise laws relating to this class of farming associations and especially the law of 1909. And this is not all, for even private proprietors have often been obliged to have recourse to collective leases: they have even been urged to this course by their own interest, for they find this kind of lease more to their advantage than letting to independent farmers.

M. Colesco finds, in fact, that the area leased by the collective farms from private persons is comparatively large and tends to increase.

In the following table, we find some particulars in regard to the proprietors who have leased their land and the annual rent paid by the associations (Situation on January 1st., 1913).

Proprietors	Number of Associations		Area Leased		Annual Rent	
	Total	%	ha.	%	lei	%
Churches . . . . .	27	5.54	9,355.36	2.52	455,770.57	3.67
Rural Banks . . . . .	13	2.67	17,017.81	4.60	677,214.00	5.45
School Banks . . . . .	11	2.26	6,401.31	1.73	180,028.90	1.45
Communes . . . . .	30	6.16	16,721.53	4.52	741,309.52	5.97
Various Institutes . . . .	38	7.80	24,379.52	6.59	753,059.06	6.07
Civil Hospitals Admin- istration . . . . .	67	13.76	83,556.72	22.56	3,193,027.96	25.63
Management of S. Spir- idion . . . . .	40	8.21	31,882.93	8.61	818,837.00	6.60
Provinces . . . . .	5	1.03	1,296.23	0.52	63,810.00	0.67
Private Individuals . . .	169	34.70	123,243.63	33.20	4,360,004.57	35.14
Hospitals . . . . .	7	1.44	4,159.23	1.12	115,407.00	0.93
State . . . . .	80	16.43	51,908.26	14.03	1,045,587.07	8.42
Total . . . . .	487	100.00	369,922.53	100.00	12,404,085.63	100.00

It is seen from the above that the largest class of associations is that of those leasing private land (34 %), whilst only 16 % lease Government land and 13 % land belonging to the Administration of Civil Hospitals.

Amongst the principal advantages of the collective farms we may count :

1. The suppression of the profits made by middlemen ;
2. The possibility for even small farmers to reap the advantages of extensive farming ;
3. The development of a scientific system of agriculture.

It would be scarcely necessary to speak of the immense gain obtained by the elimination of the middlemen, because it is evident of itself, in a country, like Roumania, where even now, according to the statistics for 1912, 56.4 % of the area cultivated by large farmers is leased and only 43.6 % farmed directly by the owners. But, adds M. Colesco, to get a truer idea of the real proportions of the farms worked by their owners and of those leased by the large proprietors, we must also consider the area leased by small farmers. This consists partly of land leased by the large landholders to peasants individually or collectively and partly, but only to a small

extent, of land leased directly by small landholders. A logical consequence of this is that the lessees act as middlemen between the land holder and the farmer and absorb part of the profits. These middlemen are eliminated by the collective farm, for it brings the labourers united in a co-operative society into immediate relation with the landholder.

In regard to the second advantage offered by the collective farms it is well to make a general observation. In most countries there is a marked tendency to render cultivation more intensive and to transform the farms accordingly. In Roumania, however, such transformation has been scarcely possible, principally owing to the enormous preponderance of the cultivation of cereals, through force of circumstances, in Roumanian agriculture. But grain farms must be large and as regards their area and the capital invested in them they necessarily present the character of extensive farms. Collective farming enables the peasant to reap the advantages of extensive cultivation, without subjecting him to very heavy burdens. Although the farm is not worked in common as are farms under joint management, yet the associations give the peasants a possibility of buying and utilising improved implements, selected seeds, chemical manure etc.

Finally, the development of a scientific system of cultivation is favoured by the collective farms, as they are generally managed by scientific experts, whose care it is to choose the methods of cultivation, the seeds, systems of irrigation, manure etc. They thus transform the farm into a true economic undertaking.

Having thus briefly indicated the principal points in the development and the importance of the collective farms of Roumania, considered as a somewhat special class of co-operative society for production, let us now see what progress the Roumanian co-operative movement has made in another important department of co-operation, that of co-operative credit

## § 2. CO-OPERATIVE CREDIT SOCIETIES.

In the rural communes of Roumania, the co-operative credit societies have adopted whatever is best in the two original types of co-operative societies, those of Raiffeisen and of Schulze.

In 1911, Roumania had 2,755 co-operative people's banks. When we consider the number of rural communes we find there are almost the same number of people's banks in the kingdom as of communes. In some communes even there are two banks. However, generally the ideal of one bank per commune is very nearly attained.

Altogether, in 1912, all these people's banks had 510,118 members. In every three families there is one interested in the work of a people's bank. If the rural population alone is considered, about half the families are interested in the business of the co-operative credit societies.

The following table will give an idea of the distribution of the members of the people's banks, according to profession.

*Distribution of the Members  
of the Roumanian People's Banks, in 1912, per Profession.*

Professions	Number of Members	%
Small Farmers . . . . .	463,795	90.92
Dealers . . . . .	9,253	1.82
Artisans . . . . .	11,697	2.29
Civil Servants . . . . .	12,150	2.38
Large Landholders . . . . .	4,599	0.90
Priests . . . . .	3,823	0.75
School masters . . . . .	4,801	0.94
Total . . . . .	510,118	100.00

It may therefore be stated that the members of the people's banks are almost exclusively farmers. The large number of small farmers among the members of co-operative credit societies is due, according to M. Colesco, principally to the position of the people's banks, almost all situated in the villages and hamlets in which agriculture is the principal profession of the inhabitants. In the Roumanian people's banks, the number of members who are artisans and dealers is comparatively small, just because there are few of them in the villages. Now, as we know, an increase in the number of members of the people's banks belonging to these classes is desirable in order that the financial equilibrium of the co-operative credit societies may be more complete and that the long term credits farmers have need of may be balanced by short term credits. There is another means for arriving at a balance of supply and demand of money, namely, the constitution of federations. Up to the present, this method has not been employed in Roumania, except by the Central Bank of the People's Banks, as we shall see below.

The total capital of all the Roumanian People's Banks in 1911 amounted to about 120,000,000 lei. This is principally formed by means of members' contributions and deposits at interest. That year, the share capital amounted altogether to 79,592,265 lei and the deposits at interest to 13,257,020 lei.

The following table shows the distribution of the shares in the Roumanian people's banks on January 1st., 1912:

Shares		Capital	Number of Members
lei	%	lei	
2-50	9.19	7,312,486.15	289,089
50-100	7.60	6,050,063.53	85,240
100-200	10.54	8,388,796.55	59,960
200-500	16.21	12,904,354.93	41,816
500-1,000	15.34	12,211,109.19	18,031
1,000-2,000	16.66	13,259,174.34	10,001
2,000-5,000	24.46	19,466,280.83	5,981
		79,592,265.52	510,118



The following table shows the distribution of the deposits at interest in current account at the same date :

Deposits		Deposits at Interest	Number of Depositors
lei	%	—	—
1-50	4.64	615,681.81	28,453
50-100	6.95	921,103.68	10,313
100-500	30.10	3,989,844.73	18,596
500-1,000	18.05	2,392,424.48	3,999
1,000-2,000	15.26	2,023,588.04	1,684
2,000-5,000	25.00	3,314,377.40	890
		13,257,020.14	63,935

The limitation of the share capital of the members recalls the general principal of co-operative credit of the Raiffeisen type.

In the Roumanian popular banks, as also in those of other countries the capital consisting of shares and deposits in current account is employed to meet the requirements of members and third parties to whom loans are granted. The total amount of the loans granted by the Roumanian Co-operative Credit Societies in 1912 was 100,978,072.04 lei, distributed as follows:

68,344,283.40 lei or 67.68 % to members  
32,633,788.64 lei or 32.32 % to non members.

It is to be observed that the maximum interest on loans to members is 10 % and on loans to non-members 12 %.

With regard to the rate of interest, M. Colesco makes an important observation we consider it well to notice here. If the rate of interest paid by members is 10 %, it is an appreciable reduction on what it used to be, when the usurers asked even 100 % from the peasants. In any case it seems that 10 % is still too high and there are localities where the rate is lower. There are people's banks that, at certain periods, have deposited in the Central Bank a part of their available capital, because they had not found any other way of investing it. Now, although nothing is said on the matter in the Yearbook of the Central Bank of the People's Bank perhaps these banks could have invested some of their capital at a lower rate than 10 % with equal security. " If this is really so, " concludes M. Colesco, " the usefulness of the Roumanian co-operative credit societies is so much the greater. " In fact, not only do they supply the capital needed for rural credit, but they also automatically fix the rate of interest.

Let us now see how the loans granted by the People's Banks in 1912 were distributed. The following table gives some important information on the point.

Amount of Loan	Amount Lent		Number of Borrowers
	Total	%	
1-50 lei . . . . .	6,522,111.37	6.46	156,315
50-100 lei . . . . .	18,801,951.27	18.62	226,535
100-500 lei . . . . .	51,893,369.49	51.39	276,169
500-2,000 lei . . . . .	11,406,397.27	11.30	21,457
2,000 lei and over . . . . .	12,354,242.64	12.23	8,969
Total . . . . .	100,978,072.04		688,545

We see from these figures that about 96 % of the loans granted were for amounts of less than 500 lei. This shows clearly the advantage the less well off classes derive from the people's banks, but it is also a danger for the banks, as the small amount of the loans clearly shows that they are not for purposes of consumption and not of production. With regard to the progressive increase in the amount of the loans granted by the Roumanian people's banks, we find some statistics in the following table in which the amounts lent in 1909 and 1911 are compared.

*Comparative Table of Loans granted by the Roumanian People's Banks in 1909 and 1911.*

Amount of Loan	Amount Lent				Number of Borrowers	
	in 1909		in 1911		1909	1911
	lei	%	lei	%		
1-50 lei	5,534,231.85	8.27	6,522,111.37	6.46	141,357	156,315
50-100 "	14,882,071.95	22.35	18,801,951.27	18.62	185,600	226,535
100-500 "	34,951,960.25	52.49	51,893,369.49	51.39	194,898	276,169
500-1,000 "	5,568,263.75	8.35	11,406,397.27	11.30	9,841	21,457
1,000 lei and over	5,655,977.75	8.54	12,354,242.64	12.23	2,808	8,969
Total . . . . .	66,592,504.85	100.00	100,978,072.04	100.00	534,504	688,545

The People's Banks may grant loans on personal credit or on security, on bills and on pledge.

Considered from this point of view, the loans granted in 1911 may be subdivided as under :

38,111,656.27 lei	or 37.75 %	loans on personal credit or on security
27,601,525.75 lei	or 27.33 %	" " " bills
35,264,890.02 lei	or 34.92 %	" " " pledge.

In Roumania up to the present the co-operative credit societies have been almost without the benefits afforded by federations. In spite of their 120,000,000 lei capital, they have only contributed 500,000 lei towards the 4,000,000 lei, constituting the capital of the federations. The functions of the federations have up to the present been discharged by the Central Bank of the People's Banks and Rural Co-operative Societies which, as we know, is a State institution, founded in 1903. For information in regard to the constitution and working of the Central Bank, we refer our readers to M. Colesco's article already mentioned, published in the number of this bulletin for October-November, 1910. We shall here confine ourselves to a few remarks on the results of the work of this bank in the year 1911 (1).

It appears that the loans granted by the Central Bank to the people's banks affiliated to it are not very important. In fact, on December 31st, 1911, the loans obtained by the people's banks from the Central Bank amounted to about 7,000,000 lei, 5,000,000 in bills and 2,000,000 in current account. Besides, the Central Bank itself admits that this amount of 7,000,000 lei is of little importance in comparison with the business and the capital of the People's Banks. In fact, in its Yearbook, it states that the People's Banks have been able to meet the demands for credit made to them almost exclusively out of their own funds.

(1) Compare the operations of the same bank in 1910, as given in the number of the *Bulletin of Economic and Social Intelligence* for February, 1913.

## Part II: Insurance and Thrift

### FRANCE.

#### MISCELLANEOUS NEWS.

ITINERANT SOCIAL THRIFT LECTURERSHIP OF ALPES-MARITIMES. — At the suggestion of its manager, M. Charles Rayneri, the People's Bank of Mentone, assisted by the Regional Bank of Agricultural Credit of Alpes-Maritimes, has just founded an itinerant social thrift lecturership.

The programme adopted for this lecturership is in outline at once very simple and very practical; it includes the establishment of social thrift associations, agricultural syndicates, mutual credit banks, mutual aid societies and mutual insurance societies, both in the towns and in the country districts, as well as propaganda in favour of workmen's pension societies, and cheap dwelling house societies, the organization of co-operative societies for production, farming and sale and co-operative enterprise for the purpose of making known and improving aesthetically such rural localities as may attract visitors.

We see from this how various the work of the Lecturership is to be from the start: and the above are only brief indications and new proposals may be made any day; rural exodus, and the decreasing birth rate have also to be combated, and increase the number of problems of social thrift the solution of which is urgent. Thus at least for the moment, the real difficulty is rather to limit the action of the lecturership.

Two methods, if no more, may be followed for the purpose. The first consists in taking each of the items of the programme, studying how to adapt it to the region and then making tours for purposes of propaganda. As there are 153 communes in the department, all of which should be visited, at most only two subjects could be dealt with in the year, and the results would doubtless be insignificant, for a society cannot be founded and organized and its regular working assured by means of a conversation of a few hours on the subject once or twice a year.

Consequently, the preference has been given to the other method, which consists in utilising the existing institutions, co-ordinating their efforts, directing their undertakings, guiding those ready to work and showing what may be obtained by means of a methodical and scientific organization. The lecturer will thus find his work as professor considerably reduced, but his work as director increased: he will only have to appear in public at irregular intervals to complete a task long prepared, or rather, we might say, to take some strategic point in the organization of the social institutes. Hence the execution of the programme cannot be divided into chapters and paragraphs: the action must depend on circumstances, the department must be divided into economic and social regions and a programme suitable for each must be prepared: on the coast, for example, the problems of maritime credit and of the improvement of the methods of fishing when solved will easily permit of the improved housing of the fishermen; the Social Thrift Lecturer cannot engage to teach the technique of sea fishing, but must seek out persons capable of improving that technique, put them in a position to do so efficiently and provide for the moment when, this progress realised, the fishing population will be financially and economically in a position to benefit by certain laws. He must make preparatory experiments for their application, taking advantage of the fact that some more fortunate individuals can already profit by these laws. He must submit to architects the problem of the construction of cheap houses for fishermen, with special features suited to the situation and the profession of the inhabitants. All this long work will not require public lectures but a series of personal interviews and conversations. When all these preparations are completed (and it is clear they will require several years) the time for lecturing will have arrived. The modes of action adapted to the social circumstances of the people will be known, the condition for their application minutely studied, those for their initiation conscientiously analysed. The lecture will then become the chosen means of incitement to many imitations.

The above question is probably not that which the Itinerant Social Thrift Lecturership of the Alpes-Maritimes will first deal with; it is simply given as an example. Each of the regions of the department must be studied and the improvement most urgently required selected, then preparation must be made for it in a social sense with the help of all the well disposed and competent on the spot, in order that it may be utilised for superior ends: such as the organization of credit and the monetary circulation, the utilisation of savings, mutual insurance, assistance to the sick and unemployed, better organization of labour and distribution of produce, increase of wealth and of population.

At present it seems that the first step to be taken is to unite the social institutions capable of combating the crisis in olive cultivation. It is not a question of the technical progress to be realised, which belongs to the department of the professors of agriculture; but they can scarcely intervene in the social preparation of the villages in which they teach, as their action would then often transcend the sphere of agriculture; groups

of individuals must be formed before societies are united, men of character must be selected as their chiefs, markets must be assured before a new crop is introduced or in order to prevent a crisis through overproduction, and, with this object, new social relations must be formed, small migrations must be promoted, either by urging the young to instruct themselves by travel in the best organized countries, or recalling to the village those who have emigrated and acquired more modern habits and greater confidence in scientific methods or who can work internal combustion engines, hydraulic turbines and electric machinery. The residence in the village of a former inhabitant returning from the town, may, according to circumstances, be either an advantage or a drawback: he may bring progressive ideas, suggest methods new to the locality, and thus improve production or he may incite to rural exodus. However delicate a matter it may be to act by means of this moral influence, it must not be imagined that it is impossible and in the high valleys of this department progress has just been due to the intervention of men who formerly left the village for the town. The success of an improvement in agriculture may be due to a hotel keeper and the influence is sometimes reciprocal, so that by uniting the developments of agriculture and commerce we may multiply the chances of success for both.

This task is not now assigned to anyone. According to the second method of work indicated above, it will fall to the part of the Itinerant Social Thrift Lecturer and with it he will begin the execution of his programme. As soon as the best organization has been reached, it must be made use of, according to circumstances, for the development of social thrift, insurance and hygiene. Here also the lecturer will not have to act unaided; he will, as a rule, content himself with bringing the localities fittest for progress into relation with the instruments of progress, that is to say, with the departmental or national hygiene and thrift associations.

(Summarised from a Note by M. P. SCHLINDER, Director of the Itinerant Lecturership, in the *Bulletin Mensuel du Crédit populaire*, April-May, 1914).

## ITALY.

### MISCELLANEOUS NEWS.

1.— PROPOSED LAW ON HAIL, INSURANCE. — On February 12th, the Hon. Signor Giordano and other Members of Parliament presented a bill to the Chamber for insurance against hail, providing that the provincial councils, by vote of two thirds of their members, may found Provincial Mutual Societies for the Insurance of specified Agricultural Produce against Hail, in conformity with the following rules :

Within sixty days from date of posting of the decision of the Provincial Council at the Municipal Offices of all the communes of the province, the proprietors may, on making declaration before the Mayor, have their holdings exempted from all the effects of the insurance.

Proprietors who have not made such declaration shall be, by that very fact, considered as adhering to the Mutual Society, as far as concerns the produce of their land subject to the insurance. The insurance shall be for five years and be renewed by tacit consent for an equal period unless the member gives notice of withdrawal from the society within the fourth year of the five years' period.

Two or even more provinces may also unite in a voluntary consortium to form insurance societies.

The ordinary revenue of these shall consist in the compulsory annual contribution of proprietors of land subject to the insurance. This contribution, fixed each year by the Provincial Council at so much per cent of the value of the produce insured, shall form a real charge on the holding. Unless a clause be inserted to the contrary in his contract, the proprietor shall have the right to be reimbursed in full by his tenants, or in part by the metayers to the degree in which the latter benefit by the yield of the holdings. The usufructuary of land must pay the contribution for the land of which he enjoys the use and can claim to be reimbursed as above.

The contribution shall be paid in instalments every two months, together with the taxes on the land, and the same rules and the same preference rights shall obtain.

The amount of the annual contributions together with interest and any other sums the society may receive for the purpose, after deduction of expenses, shall be distributed each year amongst those who have suffered by hail, in proportion to the amount of the produce insured, or the losses

suffered, up to a maximum amount of 90 %. No compensation shall be given for losses amounting to less than 10 % of the insured value.

The balance shall be distributed among the land holders who have not suffered by hail, or who have suffered losses of less than 10 % and the amount due to them under this head shall be deducted from their contribution for the following year.

The Management of the Society shall be entrusted to a council of eleven members, six elected by the provincial council and five by the communes. This council shall elect a president and a vice president from among its members. It is this Council that shall have to fix the amount of the annual contributions, provide for the temporary investment of the amounts collected, the estimation of the losses, payment of claims etc. Every year it shall report to the Provincial Council on the work done by the society and its financial situation and this report shall be forwarded to all the Communes to give them an opportunity to make any objections they may desire to.

Finally, any disputes that may arise, for any reason, between the mutual societies and their members shall be settled by a Committee of Arbitration elected every year by the Provincial Council. There shall be no appeal against the decision of the Committee and no formalities prescribed for its procedure.

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2. — THE UNEMPLOYMENT FUND, ORGANISED BY THE « SOCIETÀ UMANITARIA ». — When we consider how the public institutions of various countries have provided for insurance against unemployment, we find three methods have been generally adopted for the solution of the problem: 1st. the grant of subventions to the unemployment insurance societies of the labourers' associations; 2nd. the foundation of societies for voluntary insurance against unemployment by Communes and the State; 3rd. compulsory insurance.

The first known under the name of the Ghent system, from the place of its origin, has been up to the present the most widespread. It has been successfully applied in Italy, by the "Fund association for assistance of the unemployed", founded by the "*Società Umanitaria*" of Milan in 1905 (1). As this is the only organisation of the kind working in Italy on scientific principles, we think it well to give here some idea of the way in which it works.

(1) The « *Società Umanitaria* » was founded in Milan in 1893, by means of a legacy of 10,000,000, lrs., left for the purpose by Prospero Moisé Loria. Its object was to "put the disinherited of fortune, without distinction, in a position to raise themselves, by procuring for them assistance, work and education". In order to attain this end, the Society proposes to found labour bureaux to obtain work for the unemployed, to promote the foundation of schools of arts and trades and assist those already existing, and found and assist domestic and rural industries, co-operative societies for production and labour etc.



It is based on the principle of the concession of subventions to the affiliated labourers' associations that grant their members subsidies in case of unemployment. The contribution of the *Società Umanitaria* may be either added to the subsidies distributed to the unemployed, or may partly enable the society to grant them.

Generally, subsidies are only granted in the case of involuntary unemployment, caused by the dead season, by fluctuations in demand and supply of labour, industrial crises, or other arrest of work independent of the workmen's will. The Council administering the fund, however, has reserved to itself the right of granting subsidies also in cases of lock-out. In each particular case, enquiry is made whether the lock-out in which a class of workmen adhering to the association is concerned is an answer on the part of the employer to an agitation voluntarily initiated by the labourers and involving the risk of the unemployment which has followed, in which case there is no question of subsidies, or if it is a case of unjustifiable action on the part of the employer, who has refused to treat with the workmen or proposes to inflict as it were a collective punishment on them etc., in which case subsidies are granted, for it is admitted that the resulting unemployment was not voluntary on the part of the labourers.

Those Milanese associations are admitted to a share in the Fund that have no political or sectarian character, the members of which are engaged in the same profession or industry, and which are solely managed by the workmen, and not only make provision for the distribution of subsidies in case of unemployment but also include improvement, thrift and co-operation amongst their objects.

The Fund gives the adherent associations liberty to establish rules for the payment of the contributions of members and for the distribution of the subsidies, with regard to which account must be taken of the conditions of the wages as well as of the probability of the greater or less unemployment of the various classes of workmen. However, it reserves to itself the right to examine the rules of the associations before admitting them, and, for the purpose, the associations are obliged to present a copy of their rules and regulations which must be examined by the Council.

The contribution out of the Fund to the unemployment subsidies fixed by the associations and paid out of their funds is fixed at 50 % of the amount of the subsidies, but may not exceed 50 centimes a day. Allowance is made for a period of unemployment of not more than 60 days a year per workman. During this time, the contribution remains unvaried even when the subsidy granted by the association is discontinued. It ceases when the subsidy granted by the association to the member unemployed exceeds the amount of 2.50 fr.

The contribution out of the Fund to the subsidies paid by the associations is made, when due, on presentation of special monthly forms supplied by the *Umanitaria* and examined by the Fund association. For the accounts of the members' contributions and the unemployment subsidies the associations must use registers of one and the same form approved

by the managers of the fund. Also, every year, the associations must forward a copy of their balance sheets to the Council.

One of the fundamental principles of the system is that all persons registered with the associations distributing subsidies to the unemployed and adherent to the fund must be also registered in the labour bureau, which is entrusted with the supervision of the unemployed.

The Fund is administered by a Council consisting of representatives of the *Società Umanitaria* and of the adherent professional associations.

From the above rules regulating the administration of the fund it is clear by what principle it is inspired: namely that of assisting the collective efforts in the way of thrift made by the labourers through their professional associations, with a view to eventual cases of unemployment.

The results obtained by the *Società Umanitaria* in this field may be considered satisfactory. We give the figures reported for the period 1905-1913.

*Increase of the Fund for Subventions to the Unemployed.*

Year	Associations Adhering	Members on December 31st.	Members who have Received Subsidies	Days for which the Società <i>Umanitaria</i> Paid Subsidies	Subsidies of the Associations — Fr.	Contribution of the Società <i>Umanitaria</i> — Fr.	Total Amount of Subsidies — Fr.
1905 (End. Half Year)	33	8,363	469	12,317	14,384.06	5,653.10	20,037.16
1906 . . . . .	36	8,913	588	12,242	15,132.25	5,827.75	20,960.00
1907 . . . . .	46	11,944	1,477	36,046	38,805.66	17,661.92	56,467.58
1908 . . . . .	49	12,198	1,145	26,309	32,886.96	12,879.15	45,766.11
1909 . . . . .	49	10,931	1,194	25,090	36,056.10	12,292.35	48,348.45
1910 . . . . .	50	13,312	879	20,827	30,510.53	10,183.75	40,694.28
1911 . . . . .	50	13,620	1,340	32,864	42,443.55	16,063.10	58,506.65
1912 . . . . .	49	13,185	1,649	48,022	77,057.86	23,787.05	100,844.91
1913 . . . . .	48	12,823	1,618	48,615	87,779.09	24,081.05	111,860.14
Total	—	—	10,359	262,332	375,056.06	128,429.22	503,485.28

As we see from this table, the number of the adhering associations and of the members has increased, except in the two last years, when, for special reasons, some organisations withdrew. But in the last two years there has been a considerable increase in the amount contributed by the Fund to the affiliated societies.

(Summarised from the "*Umanitaria*", organ of the *Società Umanitaria*, Milan, nos. 2-3 April 25th, 1914).

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3.— A MUTUAL AID SOCIETY FOR THE ORPHANS OF ITALIAN FARMERS. — In its study of problems the solution of which may be useful for the rural classes, the *Comitato nazionale della mutualità agraria* (National Committee of Agricultural Mutuality) has considered the following question: "how to ensure the orphans of members of the agricultural classes, day labourers, métayers, proprietors of small and medium sized farms, and tenant farmers, while still too young to work, assistance so as to render their existence easier and alleviate the burden incumbent on those persons who have to take charge of them." In fact, whoever carefully considers the special conditions under which farm work is carried on, and the methods peculiar to it, will clearly see, as the farm labourers do themselves, the importance of these latter insuring for their children, in case of their own premature death, an income enabling them to attain, without too great difficulty, an age at which they will be able to work. Thus, this Committee conceived the idea of founding on mutual principles, an "Istituto per gli orfani degli agricoltori italiani", to assist with sufficiently large subsidies the orphaned children of its members and give them moral support in their life.

This institute has full members, subscribing members, honorary members and benefactor members.

The métayers, tenant farmers and farmers cultivating their own land or land they have leased are full members. All who pay a subscription equal to that of the full members while renouncing any right to the benefits of the Institute are subscribing members. The honorary members pay at least 300 frs., in the case of institutions or 100 frs. in the case of individuals. The benefactors (institutions or individuals) contribute supplementary amounts in addition to the monthly subscription paid by the full members. They have no claim to the benefits of the institution.

The full members undertake to pay an entrance fee of 2 frs. and a monthly subscription for each child, to be paid in advance. This subscription will be fixed by experts and after a trial of not more than 5 years it may be altered. At the end of every five years a technical balance sheet shall be drawn up and in accordance with the results the amount of the contribution for the next five years will be settled.

The amounts assured, in case of premature death of the full members, to their children up to the age of 14 years, are: for one child, 15 frs. a month, if orphaned of its father and 25 frs. a month if orphaned of both parents; for 2 children 20 frs. a month in the first case and 30 frs. a month in the second; for 3 children, 25 frs. a month and 35 frs. a month respectively; for more than 3 children the amounts assured will not be increased.

The Institute in question will be able to use for its working expenses, not only the contributions of its members, but also the interest on the amounts placed to the reserve fund (entrance fees, contributions of honorary members, and other eventual sums received).

It will accept its members preferably through the agricultural associations and the thrift and savings institutes.

For the management of the Institute, provincial commissions will be appointed at the annual meetings of full and subscribing members;

General Council, formed of members elected, one for each province, by the above Commissions; the Board of Management, formed of members elected, one for each region, by the General Council; and the Committee of Commissioners of Accounts, elected from among the honorary and benefactor members, by referendum, and consisting of an equal number of each class, to supervise the administration of the Institute.

The Institute will commence working as soon as it has 1,000 full members.

(Summarised from *Mutualità Agraria*, the organ of the Comitato Nazionale per la Mutualità Agraria, Rome, no. 9, May 15th., 1914).

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4. — THE CONSTITUTION OF THREE REGIONAL OFFICES OF AGRICULTURAL MUTUALITY. — On the initiative of the *Comitato Nazionale della Mutualità Agraria*, three regional offices of agricultural mutuality have been founded at Turin, Florence and Reggio Calabria, with the object of promoting the spread of mutual principles and thrift in the several regions, by assisting the farmers in the organization of mutual livestock, fire and hail insurance societies. For the purpose, they will distribute model rules and give practical instructions for the technical equipment of these societies and the constitution of their administration.

In accordance with the programme the Committee is carrying out, each region of Italy is to have its agricultural mutuality office.

(Summarised from a Communication of the *Comitato Nazionale della Mutualità Agraria*).

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5. — THE FIRST AUTONOMOUS PROVINCIAL LIVESTOCK REINSURANCE INSTITUTE. — The Provincial Council of Alessandria has taken the initiative in the foundation of an *Istituto provinciale autonomo di riassicurazione del bestiame*, on mutual lines. Its object is insurance against loss of livestock by death through disease or accident.

Membership is open to all mutual livestock insurance societies, constituted in accordance with the following principles: (a) strictly local field of action, limited to one commune, and, in exceptional instances, to more communes; (b) individual registration of the animals and insurance based on their value; (c) contribution of 20 % of the insurance by the insured; (d) premium not less than 1.25 %.

The institute undertakes to pay half the claim due according to its rules; the other half to be paid by the local insurance society. The latter disposes of the dead or slaughtered animal; the proceeds of the sale are divided between the society and the Institute.

The local society must pay the Provincial Institute 45 % of the above minimum premium of 1.25 %, whatever premium it charges its policy holder.

The Institute will form a reserve fund out of the entrance fees paid by the local societies and the contributions received from the State and other institutions. It is administered by a committee of 9 members, four of them elected at the annual meeting of the local mutual societies and four by the Provincial Council. The president of this Committee is the President of the Provincial Deputation.

(Summarised from the Report of the Provincial Deputation of Alessandria, April 29th., 1914).

## Part III: Credit

### VARIOUS COUNTRIES.

#### INVESTMENT OF THE FUNDS OF THE INSURANCE SOCIETIES.

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## § I. INTRODUCTION.

Among the financial institutes that act or might act as intermediaries between capitalists and the thrifty seeking an investment for their money and the farmers and landed proprietors in want of funds, the insurance societies call for attentive consideration.

After having in this Bulletin dealt with the agricultural and land credit institutes, we have devoted some short studies and several monographs to the ordinary and postal savings banks, considered as institutes providing or capable of providing credit for agriculture. Following the same system, with the intention, that is, of showing, by means of what the insurance institutes have begun to do at various times and in various places, what they could do, and by what means and under what conditions, to attract a larger amount of capital to agriculture, we shall now examine the ways in which the insurance societies invest their reserve funds.

No absolute rule can be laid down for the choice of investments for the funds of each particular insurance society.

Theoretically, these investments must be safe and not subject to depreciation, must, if possible, give fairly high interest, at the same time subject

o very little variation, and permit of the easy realisation of at least part of the invested capital. Many hold the necessity of investing capital in different ways so as to obtain in any case a certain balance between the losses and gains from the various kinds of investment. Others add that it is necessary, with the same object, to invest the reserve fund not only in different ways, but also in various parts of the world subject to various economic influences.

These principles, which are also some of them combated on theoretical grounds, cannot be applied by means of rigid systems of division of the reserve funds among various investments.

The investments of the insurance societies vary according to time and place, through political, economic and social influences. The solution of the question of how to invest the funds of the insurance societies, in fact, depends indeed on the consideration of the technical financial requirements of the business — special account being taken of the risks in connection with the nature of the thing insured — but also depends very much on the law, the situation of the money market and the organization of the classes the interests of which are bound up with the policy of investment pursued by the insurance societies.

As the insurance societies receive considerable sums out of private savings, the State, in many countries, in view of the increasing need of capital for the public expenditure, restricts the freedom of the societies in the matter of the investment of their reserve funds, obliging them to invest a portion in State or State guaranteed securities or provincial and communal bonds. The law, almost always, in laying down these restrictions, has for its chief aim to give the policy holders a certain guarantee for the premiums they have paid, and only as a secondary object the maintenance of the public credit.

In some countries the State orders the purchase of national securities in order to put a stop to the emigration of capital, which is the more easy where insurance is undertaken by foreign societies, and at the same time to facilitate the subscription of public loans. "A striking example" writes Zartman, "is afforded by the Argentine Republic. By law of 1898, the Argentine Government was authorized to issue a loan of 1,000,000 pesos in bonds at 5 %. The foreign insurance societies were obliged to contribute to the subscription of the loan as a guarantee of the contracts passed by them in the country." And many other examples might be adduced. The intervention of the State may be carried even beyond these limits. The Italian Parliament, by law of April 4th., 1912, established the National Institute, with a monopoly of life insurance. In order that the importance of this institution may be understood, it must be observed that in Italy most of the life insurance business was in the hands of foreign companies. The Italian Government, in assuming itself the monopoly of this branch of insurance, had two objects: namely, to obtain an income either out of the profits of the working or by the administration of the reserve funds, and to prevent the flow of capital out of the country.



By all these different arrangements, the States, therefore, not only make provision in the interest of the national industries, by maintaining a certain circulation of capital on the market, but they indirectly succeed in lowering the interest, to the advantage of public credit.

The economic organization of the country, where insurance societies are established or work, has also, as we shall see, a considerable influence on the distribution of the reserve fund among the various kinds of investments. In fact, as the constituents of wealth differ in different countries, the insurance societies, naturally, feel themselves impelled in different directions for the choice of investments for their reserve funds. From a recent study by Prof. Gini, of the Royal University of Padua, on the amount and composition of the wealth of nations, we reproduce the following statistics showing the composition of private wealth in Italy, France and the United Kingdom.

Wealth	Italy — 1908-1909 %	France — 1908 %	United Kingdom — 1908-1909 %
Real Estate . . . . .	68.9	45.0	23.7
Bonds and Stock . . .	9.8	31.2	39.5
Cash, Credits etc. . . .	15.1	17.6	17.0
Other Personal Estate .	6.2	6.2	19.8
	100.0	100.0	100.0

We have here three countries of different economic character : and we shall see, when we examine the investments of the French and English companies, that there are classes of investment corresponding with these various types of economy.

Where there is abundance of capital and the exchanges are large and active markets of international securities — as at Paris, London and New York — the insurance societies have a reason for investing their reserve funds in bonds of any country that gives them a sufficiently high return without prejudice to the security of the invested capital. On the other hand, in countries, where there is little capital, often national interests (railways, public works, building enterprise, industry and agriculture) influence the investment of funds belonging to the insurance companies when these are not administered by foreign capitalists. The position of the headquarters of the society and the personal interests of the capitalists administering it have their importance for the investment of the reserve funds in one way rather than in another. We know that in one and the same country, as for example, Germany, the life insurance societies principally invest their money in mortgage bonds on real estate in the large cities, above all in Berlin, precisely where the large life insurance societies have their headquarters. But, on the other hand, the interests of the managers

of the insurance societies have their influence on the nature of the investments we are considering. When the managers of these societies, as frequently happens, are directly or indirectly interested in the conduct of other businesses, it is natural that they try, if possible, to invest the reserve funds of the society so as to assist the development of the undertakings referred to. This co-operation of the insurance businesses with other industries is the easier where there is a concentration of banks and industries.

Against this organization of the capitalist class, that, according to circumstances, may have an interest to follow one or other policy of investment, reconcilable with the nature of insurance business, the class of policy holders may rebel in favour of such investment of the funds as shall not only be a guarantee of low premiums and safe policies but profit them in their special interests as producers. In connection with this, we have already recorded, in this Bulletin (1), the initiative of the Prussian *Land-schaften*, which have organised insurance businesses with the object of preventing the capital collected by the insurance societies in the country being placed in urban instead of rural investments. In the following pages we shall give figures in illustration of our statements.

The distribution of the reserve funds of the insurance societies, according to the nature of the investment given to them, will be considered only in the case of a few of the chief countries, for which it is possible to obtain reliable figures. Our examination will principally concern life insurance societies, as for them the question of the investment of their capital is of greater importance than for the other forms of insurance.

## § 2. NATIONAL AND FOREIGN LIFE INSURANCE SOCIETIES IN SWITZERLAND.

In Switzerland the character of insurance is decidedly international. All branches of insurance except two (credit and hail) are undertaken not only by Swiss but by foreign societies. Of 103 societies, subjected in 1911 to the supervision of the Confederation, 29 have their headquarters in Switzerland, 31 in Germany, 29 in France, 2 in Austria-Hungary, 2 in Italy, 7 in Great Britain and 3 in America.

Altogether these societies in 1911 collected 99,462,882 frs. in Switzerland. Insurance has, as we see, made great progress there. On an average, the premiums paid per family for the various kinds of insurance in 1911 amount to 127 frs., in the following proportion: 64 frs. for life insurance, 31 for accident and liability insurance, 25 frs. for fire insurance and 7 frs. for other kinds (window glass, water pipes, credit, livestock and hail insurance and insurance against risks in transit).

In this country life risks are insured to an amount far exceeding a thousand million frs. (1,154,187,294 frs.) by means of 253,590 policies. Taking into account the cantonal societies, we find fire risks insured to the

(1) See *Bulletin of Economic and Social Intelligence*, August, 1912 and December, 1913.

amount of about 20,000,000,000 frs. Life insurance was transacted in Switzerland in 1911 by 35 societies, 6 being Swiss, 9 German, 11 French, 1 Austrian, 5 British and 3 American.

The relative importance of the business done by the Swiss and foreign societies, the mutual societies and those limited by shares, is shown in the following table :

TABLE I. — *Life Insurance Premiums Collected in Switzerland in 1911.*

Societies			
Swiss	Foreign	Mutual	Limited by Shares
fr. . . . . 28,123,367	25,500,749	27,982,257	25,641,859
% 52	48	52	48
fr. . . . . 53,624,116		53,624,116	
100 %		100 %	

With regard to the investment of the reserve funds the federal laws regulating private insurance lay down no rules restricting liberty of investment on the part of the insurance societies. The figures, therefore, relating to the various investments made by the several insurance undertakings, classified according to nationality, are of very great interest as they clearly show how the various countries differ from each other in the course they pursue in regard to investments.

The figures we reproduce are very significant, for, if not exactly, yet very approximately they show the class of investments preferred in Switzerland, Germany, Great Britain and the United States respectively. Indeed, the foreign societies working in Switzerland vary as regards their financial importance. The investments made by the only Austrian life insurance society (der Anker) working in Switzerland are the least important.

The following table shows the importance of each society working in Switzerland and of each group of societies according to nationality. We must only observe that in each case the figures we reproduce refer to the whole business of the different societies in Switzerland and elsewhere.

TABLE II. — *Assets (in francs) of the Life Insurance Societies Working in Switzerland on December 31st., 1911.**Swiss Societies :*

	francs
1. Société Suisse d'Assurance générale sur la vie, Zurich . . . . .	118,593,739
2. La Suisse, Lausanne . . . . .	19,635,257
3. La Bâloise, Bâle . . . . .	137,720,888
4. La Genevoise, Genève . . . . .	36,434,919
5. Société Suisse d'assurance sur la vie, Bâle	9,380,682
6. Patria, Bâle . . . . .	21,253,799
Total . . .	343,019,284

*German Societies :*

1. Gothaer Lebensy. Bank A. G. . . . .	488,771,140
2. Leipziger L. V. A. G. . . . .	470,590,595
3. Karlsruher L. V. A. G. . . . .	341,837,693
4. Teutonia, Leipzig . . . . .	155,805,647
5. Concordia, Cologne . . . . .	208,810,776
6. Stuttgarter L. V. B. . . . .	476,436,128
7. Germania, Stettin . . . . .	504,029,634
8. Friedrich Wilhelm, Berlin . . . . .	259,262,325
9. Atlas, Ludwigshafen a. R. . . . .	35,316,772
Total . . .	2,940,860,710

*French Societies :*

1. Compagnie d'assurance générale, Paris .	946,872,589
2. L'Union, Paris . . . . .	214,085,049
3. La Nationale, Paris . . . . .	706,374,869
4. La Caisse paternelle, Paris . . . . .	67,886,975
5. Le Phénix, Paris . . . . .	432,979,551
6. L'Urbaine, Paris . . . . .	197,537,315
7. Le Soleil, Paris . . . . .	68,006,300
8. L'Aigle, Paris . . . . .	45,934,426
9. La Confiance, Paris . . . . .	39,794,071
10. La Foncière, Paris . . . . .	77,699,328
11. La Providence, Paris . . . . .	11,239,790
Total . . .	2,808,410,263

*Austrian Society :*

	franc
1. Der Anker, Vienna . . . . .	211,511,434

*British Societies :*

1. The Norwich Union . . . . .	260,433,646
2. The Union, London . . . . .	102,308,339
3. The Northern, London . . . . .	132,635,045
4. The General, London . . . . .	79,868,661
5. The Star, London . . . . .	179,414,528
Total . . . . .	754,660,219

*American Societies :*

1. The New York, New York . . . . .	3,548,883,755
2. The Equitable, New York . . . . .	2,621,475,156
3. The Germania, New York . . . . .	242,478,486
Total . . . . .	6,412,837,397

General Total for 35 societies fr. 13,471,299,307

Let us now see in what proportion the 13,470,000,000 belonging to the above societies is distributed among the various classes of investments

TABLE III. — *Distribution of the Funds of the Life Insurance Societies working in Switzerland on December 31st., 1911, among the various classes of investments.*

Assets	Societies					
	Swiss	German	French	Austrian	British	American
	%	%	%	%	%	%
Share Capital not Paid up . . . . .	4.18	1.89	2.17	—	3.46 (*)	—
Mortgages . . . . .	59.45	80.30	5.47	47.12	23.56	19.66
Real Estate . . . . .	3.92	1.09	17.90	5.76	7.02	3.56
Bonds and Stock . . . . .	22.24	2.33	63.64	29.62	47.80	57.41
Loans . . . . .	5.55	9.83	3.11	7.94	6.12	15.33
Credits to Banks and Insurance Societies . . . . .	1.60	0.76	0.39	5.26	0.88	1.72
Various Debtors . . . . .	3.06	3.80	7.18	4.30	11.16	2.35
Balance . . . . .	—	—	0.14	—	—	—
	100	100	100	100	100	100

(\*) Not including the share capital, common to the two branches, life and fire, of the Commercial Union and the Northern.

The favourite investments are, in the case of the German, Swiss and Austrian societies, loans on mortgage; in the case of the French, British and American societies, bonds and stock. The other classes of investment are of much less importance. Only, in the French Societies real estate represents 17.6 % of the assets, and in the three American societies loans not on mortgage represent 15.33 %.

Within the two large groups of societies distinguished above in respect to the principal form taken by their investments there are specific differences between the various societies of the different countries.

The German Societies make almost all their investments in mortgage loans (80.3 % of their assets) and almost all the rest in loans on pledge, policies and bills (9.83 % of their assets). Real estate and bonds and stock are of quite inconsiderable importance in the accounts of these societies.

The Swiss societies, on the other hand, invest a smaller amount of their reserve fund in mortgages (59.45 % of their assets) and in loans not on mortgage (5.55 %) and a considerable amount of capital in the purchase of bonds and stock (22.24 %).

The tendency of the Austrian society is towards a smaller difference between the amount of the mortgage investments (47.12 % of the assets) and the investment in bonds and stock (29.62 %) and comparatively larger investments in other ways: real estate (5.76 %), loans (7.94 %) credits to banks and insurance companies (5.26 %).

The French societies own more bonds and stock than any other group of societies working in Switzerland (63.16 % of their assets). These societies are distinguished among the foreign societies by the large amount they invest in real estate (17.90 %). They only lend on mortgage to the amount of 5.47 %.

On the other hand, the British and American societies, while they show a considerable preference for investments in purchase of bonds and stock, also lend largely on mortgage.

The investments of the American societies differ from those of the British societies, in the larger percentage of loans not on mortgage (15.33 % of the assets).

In view of the predominant importance of the investments in mortgage and in purchase of bonds and stock, it will be well to give our special attention to these two classes of investment.

The loans on mortgage made by insurance societies working in Switzerland amount in all to 4,253,455,363 frs., of which 2,361,593,101 frs. were granted by the German societies, 1,256,995,365 frs. by the American societies, 203,913,228 frs. by the Swiss societies, 177,770,253 frs. by the British and 153,527,553 frs. by the French societies. By very far the most of these mortgage loans are secured on real estate situated outside of Switzerland. In Switzerland it is essentially the national life insurance societies that lend on mortgage.

The nature of the real estate serving as security for mortgage loans is not shown in the balance sheets of the Swiss societies. We know, however, that not all the societies have lent on rural estate and that as a

rule the loans have been granted almost exclusively on urban real estate. The percentage of the rural loans has not been calculated, but represents a very small amount.

This fact, common to other countries, acquires special importance in Switzerland. There, indeed, habits of thrift are widely spread and the economic, social and demographic features of the urban centres and the rural districts are less dissimilar than elsewhere.

The following two circumstances, therefore, must be remarked: on the one hand, the emigration of the savings of the policy holders beyond the national confines through the action of foreign insurance societies which invest their reserve funds abroad (out of 53,624,116 frs. worth of life insurance premiums in 1911, 28,000,000 frs. were collected by Swiss and 25,000,000 frs. by foreign societies); on the other hand, the concentration of capital by the national societies, even of that capital derived from the agricultural classes, in urban mortgages.

Loans on mortgage in Switzerland are granted by the insurance societies without the obligation of repayment in instalments. The contract can be cancelled either by the societies or by the debtors on notice, the term varying, according to the rules of the society, from three to six months.

The amounts of the bonds and stock held by the life insurance societies working in Switzerland are seen in the following table.

TABLE IV. — *Bonds and Stock held by Life Insurance Societies on December 31st., 1911.*

Societies	Total Securities	Government Annuities	State Guaranteed Securities	Communal, Departmental etc. Bonds	Railway Bonds	Shares in Railways and other Industrial Undertakings
	fr.	fr.	fr.	fr.	fr.	fr.
Swiss . . . . .	76,283,212	28,701,724	15,360,803	9,011,580	23,031,637	177,468
German . . . . .	68,559,295	44,891,073	196,148	20,519,562	2,952,512	—
French . . . . .	1,787,295,297	694,018,580	860,607,838	41,937,279	162,235,846	28,495,751
Austrian . . . . .	62,660,435	51,635,285	—	4,658,054	6,367,096	—
British . . . . .	360,720,354	74,936,227	13,834,248	67,362,356	127,937,623	76,649,800
American . . . . .	3,683,562,747	303,447,212	200,199,129	316,412,757	2,769,619,946	93,883,701

Government annuities or State guaranteed securities are the most important of these securities in the case of the Swiss, German, French and Austrian societies. The British and American societies, on the other hand, give the preference to railway and industrial bonds.

The Report of the Federal Insurance Office furnishes a very interesting table, from which we can see the variations in the proportions invested by the life insurance societies working in Switzerland between 1887 and 1911 under the three most important heads of mortgages, real estate and bonds and stocks.

TABLE V. — *Mortgages, Real Estate and Bonds and Stock held by the Insurance Societies between 1877 and 1911.*

Class of Investment	Years	Societies					
		Swiss	German	French	Austrian	British	American
		%	%	%	%	%	%
Mortgages. . . .	1886	34.20	71.62	2.27	—	(2 soc.) 12.34	25.40
	1900	52.72	78.43	5.93	—	(5 soc.) 17.84	15.89
	1911	59.45	80.30	5.47	47.12	(5 soc.) 23.56	19.60
Real Estate . . .	1886	4.84	2.50	22.45	—	(2 soc.) 3.07	14.60
	1900	5.50	1.41	21.48	—	(5 soc.) 5.67	9.72
	1911	3.92	1.09	17.90	5.76	(5 soc.) 7.02	3.56
Bonds and Stock .	1886	30.04	6.91	55.89	—	(2 soc.) 34.13	46.88
	1900	23.31	2.91	57.11	—	(5 soc.) 43.04	57.37
	1911	22.34	2.33	63.64	29.62	(5 soc.) 47.80	57.44

A comparison of these figures shows that between 1887 and 1911 the characteristics observed in each group of societies have been accentuated.

On the one hand, in the German and Swiss societies the proportion invested in mortgages has increased, on the other, the French, British and American societies have more and more employed their funds for the purchase of bonds and stock.

As far as mortgage loans are concerned, however, it is to be observed that, with the exception of the American societies, all the groups of societies we have already frequently mentioned have increased the proportion of their capital invested in them.

Even the French and British societies increased the amounts invested by them in mortgages between 1886 and 1911 respectively from 2.27 % to 5.47 % and from 12.34 % to 23.56 % of their funds.

The remarkable difference we have observed between the various groups of society in respect to the character of their investments, of course has its effect on the interest on the capital, in regard to its safety, regularity and amount.

The Report of the Federal Insurance Office provides us with statistics of the rate of interest obtained by the insurance societies on their capital, and its variations in the period 1886-1911.



TABLE VI. — *Interest on Capital Invested  
by the Insurance Societies between 1886 and 1911.*

Years	Life Insurance Societies					
	Swiss	German	French	Austrian	British	American
	%	%	%	%	%	%
1886 . . . . .	4.24	4.42	4.42	—	4.39	5.13
1887 . . . . .	4.27	4.31	4.52	—	4.33	5.27
1888 . . . . .	4.24	4.23	4.51	—	4.35	5.36
1889 . . . . .	4.19	4.18	4.52	—	4.29	4.89
1890 . . . . .	4.16	4.13	4.46	—	4.21	4.69
1891 . . . . .	4.14	4.15	4.37	—	4.20	4.90
1892 . . . . .	4.15	4.13	4.27	—	4.06	4.70
1893 . . . . .	4.10	4.16	4.22	—	4.08	4.68
1894 . . . . .	4.04	4.14	4.09	—	4.01	4.67
1895 . . . . .	4.01	4.09	4.01	—	3.92	4.48
1896 . . . . .	3.93	4.03	3.93	—	4.05	4.24
1897 . . . . .	3.89	3.98	3.92	—	3.98	4.37
1898 . . . . .	3.93	3.96	3.88	—	3.92	4.48
1899 . . . . .	4.01	3.99	3.96	—	3.86	4.38
1900 . . . . .	4.07	4.03	3.90	—	3.80	4.34
1901 . . . . .	4.12	4.09	3.88	—	3.76	4.19
1902 . . . . .	4.16	4.11	3.90	—	3.82	4.27
1903 . . . . .	4.16	4.11	3.83	—	3.89	4.19
1904 . . . . .	4.16	4.11	3.83	—	3.93	4.18
1905 . . . . .	4.12	4.10	3.84	—	3.96	4.13
1906 . . . . .	4.11	4.10	3.86	—	4.00	4.39
1907 . . . . .	4.15	4.12	3.86	—	4.01	4.50
1908 . . . . .	4.16	4.16	3.91	4.29	4.04	4.55
1909 . . . . .	4.16	4.18	3.93	4.31	4.07	4.41
1910 . . . . .	4.19	4.20	3.94	4.39	4.13	4.45
1911 . . . . .	4.22	4.20	3.97	4.40	4.15	4.46

Before proceeding to a comparison of these figures, we must remark that the difference in the rates of interest depend, at least to a small degree, on the various methods followed in estimating the value of the securities for the balance sheets.

The securities may be shown at their purchase price or at their value at date of making out the accounts. The first method gives a figure accurately representing the interest on the capital invested by the society.

while the second gives one more approximately representing the rate of interest in the country at a given moment.

The French companies in their balance sheets show their bonds and stock at purchase price and from this a rate of interest is calculated that may be appreciably superior or inferior to the rate that would be shown if the capital were estimated at the quotation for the day. Thus for 1910 we find in Table VI, a rate of 3.94 %, while it would be 3.72 % if the current rate of the bonds and stock on December 31st., 1910 were considered.

The same variations in the value of the real estate may lead to a different estimation of the interest, according as the original purchase price or the present market price is shown.

Having made these observations we shall now proceed to examine the series of data shown in Table VI for each group of society, in order to see how the different systems meet the theoretical requirements for a good investment of the funds of insurance societies.

The greatest differences from one year to another in the rate of interest are observable in the case of the American societies; and next in the British and French societies. The variations in the interest received by the Swiss and German societies are less marked than in the other groups working in Switzerland. If the variations in the rate of interest charged by the various groups of societies are represented in diagram we shall find the intervals varying less and the angles less acute as we pass from the American, English and French societies to the German and Swiss, which means that there is less variation in value in the funds of the societies which prefer mortgage investments, that is to say the German and Swiss, than in those of the American, British and French, principally invested in bonds and stock. Even from the following table we see there was a greater difference between the maximum and minimum interest on the capital of those societies especially holding bonds and stock and the difference was above all great in the case of the American societies.

TABLE VII. — *Maximum, Minimum and Average Interest on Capital Invested by the Life Insurance Societies Working in Switzerland, for the period 1886-1911.*

Societies	Interest		Difference Between Maximum and Minimum Interest	Average Interest (1886-1911)
	Maximum	Minimum		
	%	%	%	%
Swiss . . . . .	4.27 (1887)	3.80 (1897)	0.38	4.12
German . . . . .	4.42 (1886)	3.96 (1898)	0.46	4.13
French . . . . .	4.52 (1887)	3.83 (1903-1904)	0.69	4.06
British . . . . .	4.39 (1886)	3.76 (1901)	0.53	4.04
American . . . . .	5.13 (1886)	4.13 (1905)	1.00	4.52

The American societies have received a far higher average rate of interest than the other societies, but also in their case the difference between the maximum and minimum rates is far greater than in that of the other groups.

On the other hand, although the variations are considerable in the case of the French and British societies (0.69 % and 0.53 % respectively), their average rates of interest (4.06 % and 4.04 %) are not higher than those of the Swiss and German societies (4.12 % and 4.13 %).

### § 3. THE INSURANCE SOCIETIES AND MORTGAGE CREDIT IN GERMANY.

In Germany, up to 1880, the progress of the various branches of insurance had been considerable, and yet the State had not intervened with legislative measures to restrict the choice of the societies in the investment of their capital. The principle of liberty and independence was first interfered with within the last twenty years of the last century, when every insurance society with shares was compelled to form a reserve fund and the question of the investment of this reserve fund presented itself in the various federated States contemporaneously. Then each State when it authorized insurance businesses laid down special rules for the investment of the capital. So there were different laws which were brought into harmony and, indeed, substituted by the Imperial Law of May 12th., 1901, as regards the question with which we are concerned. This law principally organized the State supervision of the private insurance businesses, largely following the system of the Swiss law of June 26th., 1885, by which the federal insurance office was founded. It contains special provisions in regard to the investment of the reserve funds of life insurance societies in §§ 56 et seqq.

Section 59 provides that the reserves may be placed:

1st. in the investments recognised in § 1,807, paragraph 1, nos. 1-4 of the Civil Code, as suitable for trustee investments; that is

(a) in loans, secured on safe mortgage on land situated within the national territory;

(b) in bonds of the Empire or of one of the Federated States or in credits registered in the books of the public debt of the Empire or of one of the Federated States;

(c) in bonds guaranteed by the Empire or a Federated State;

(d) in bonds and stock, especially land bonds, and bonds of any kind issued by communes or communal credit institutes or bonds or other securities recognised as suitable by the Federal Council (Bundesrat) for trustee investments.

Further, the reserve funds may be invested, for not more than one tenth of their amount, in securities to which the law assigns the character of trustee investments and in those land bonds to bearer issued by German Banks limited by shares that are considered as securities of the first order by the Imperial Bank (Reichsbank);

2nd. in loans on pledge of mortgage bonds and other bonds and stock contemplated above in no. 1, up to 75 % of their nominal value, or 75 % of their exchange value if it is lower than the nominal value ;

3rd. in loans on policies in accordance with the general principles of insurance (§ 9, no. 8).

4th. with the consent of the Supervision Office (*Aufsichtsbehörde*), in bonds issued by German communal corporations and school and church unions (*Schulgemeinden und Kirchengemeinden*), when these bonds are redeemable on the creditors' demand or in regular instalments.

If special circumstances do not allow of the investment of the reserve funds in any of the ways indicated in paragraph 1, the available funds may be temporarily deposited in the Imperial Bank, a State Bank, another National Bank or a public Savings Bank designated by the Supervision Office (*Aufsichtsbehörde*).

Special precautions must be taken by the insurance societies when purchasing real estate and investing their funds in mortgage loans. We may say that these provisions and generally the system sanctioned by the German law of 1901 are based on a system of supervision that in certain cases makes it necessary, before certain investments can be made, to obtain the authorization of the authorities to whom the supervision of insurance business is entrusted. In regard to mortgage loans, § 60 provides that the reserve funds may be placed in such kinds of investment (mortgages, land credits, and other land securities) provided the amount lent does not exceed three fifths of the value of the land. But the central authority of a Federated State, when, in conformity with § 11, paragraph 2 of the law on Mortgage Banks, it has authorized loans on rural land up to two thirds of the value of the land, may consider the security sufficient.

The loans must, as a rule, be made on first mortgage, and not on building areas nor on new buildings not yet completed and producing no income, nor on land yielding no certain and permanent return, as, especially, quarries and mines.

The value on which a loan on land is based must not exceed the market price as established by a careful valuation. It must be based on the value of the permanent qualities of the holding and the amount it may yield to any land owner when regularly worked.

At the request of the supervision office, the insurance businesses must present a statement of the valuation for the approval of the office.

These and other rules are only applicable to foreign societies in so far as concerns insurance undertaken by them in Germany. The reserve funds of these societies must be invested, in accordance with the provisions laid down by the office for the supervision of private insurance business, so that they cannot be used without the approval of the office.

In 1911 life insurance was undertaken in Germany by 419 national and 20 foreign societies. The total amount of premiums collected amounted to 678,503,726 marks: 93.64 % of these premiums was collected by German and 6.36 % by foreign societies. As we see, the work done by the foreign societies is very small compared with that done by the national.

The German life insurance societies also do more foreign business than the foreign societies do in Germany. In fact, according to the figures for the last working year 1911, 58,500,000 marks were collected in premiums abroad (including reinsurance premiums) by the German and 45,500,000 marks by the foreign societies in Germany. Therefore, owing to the action of the life insurance institutes, there is an importation of foreign capital into Germany. We think it will be very interesting to consider the various investments and especially the investments in mortgage of the various kinds of private insurance undertakings working in Germany, whether national or foreign, utilising for the purpose the figures given in an official publication, the Report of the Imperial Office for the Supervision of Private Insurance. We shall not, however, both on account of the limited space at our disposal, and also because there is no means of making a comparison, take account of the mortgage loans granted by the social insurance institutes and the public insurance businesses (1).

In Germany the insurance societies occupy the third place among financial institutes which invest large amounts in mortgage credit business, after the German Mortgage Banks and the Prussian Savings Banks, the most important savings institutions of the Empire.

TABLE VIII. — *Loans on Mortgage granted by the Mortgage Banks, Savings Banks and Insurance Businesses.*

Years	German Mortgage Banks		Prussian Savings Banks			German Insurance Businesses				
	Number of Banks	Amount of Mortgages	Number of Savings Banks	Total Capital at Interest	Amount of Mortgages	Number of Businesses	Total Capital	Amount of Mortgages		
		Thousands of Marks		Thousands of Marks	Thousands of Marks		%	Thousands of Marks	Thousands of Marks	
1907	38	9,339,609	1,639	9,490,730	5,741,240	60.5	256	5,189,119	2,878,184	74.7
1909	38	10,327,093	1,692	10,765,319	6,400,160	59.5	257	5,897,663	4,354,908	73.8
1911	38	11,396,699	1,736	12,258,350	7,439,860	60.58	263	6,756,356	5,002,883	74.0

The credits on mortgage granted by insurance undertakings amount to the considerable sum of more than 5,000,000,000 marks or three fourths of the amount granted by the Prussian Savings Banks and half that granted by the Imperial Mortgage Banks.

Most of the mortgage business is done, as is natural, considering the special form of their risks, by the life insurance societies, which have large reserves enabling them to invest in mortgages to a far greater extent than

(1) For the investments of these groups of undertakings, see the Table reproduced by HEINE POTHOFF, in *Untersuchungen*, cit. p. 353.

is possible for other kinds of insurance undertakings. The proportion of the capital invested in mortgages and in other ways by the life insurance societies and by insurance undertakings of various nature is shown in the following table :

TABLE IX. — *Investment of the Funds of the German Insurance Societies at the End of 1911.*

Branches of Insurance and Kinds of Society		Total — Thousands of marks	Investments per 1,000 marks of capital						
			Real Estate	Mortgages	Bonds and Stock	Loans			Other Investments
						To Public Institutions	On Pledge of Securities	on Policies	
Life Insurance.	Societies limited by Shares.	2,889,202	26,859	25	18	0.2	72	0.4	—
	Mutual Societies . . . .	2,042,939	8,824	25	67	1	73	2	—
	Professional Unions . . .	94,471	8,840	88	48	—	16	—	—
Accident and Liability Insurance Societies		201,805	94,595	212	82	—	9	8	—
Livestock Insurance . .	Societies limited by Shares	319	351	188	461	—	—	—	—
	Mutual Societies . . . .	3,856	40,167	791	2	—	—	—	0.001
Hail Insurance	Societies limited by Shares	13,291	23,246	681	—	15	—	35	—
	Mutual Societies. . . . .	5,222	20,239	637	3	2	—	85	14
Fire Insurance	Societies limited by Shares	320,835	94,545	325	1	8	16	8	3
	Mutual Societies . . . . .	72,993	47,469	346	124	—	—	1	13
Window glass Insurance .	Societies limited by Shares	10,274	126,766	106	—	1	—	1	—
	Mutual Societies . . . . .	817	46,728	226	—	—	—	—	—
Reinsurance, Societies limited by Shares .		196,778	26,243	718	—	7	—	6	—
Total . . .		5,852,802	26,792	79	37	1.62	2	0.3	—

Besides the mortgage investments of the life insurance undertakings those of the window glass, accident, and liability and fire insurance societies deserve consideration.

The distribution of the capital among the various classes of investments varies, in the same branch of insurance, with the economic and legal constitution of the business. Thus we may observe that the mutual societies invest in mortgages to a less degree than the societies limited by shares.

In spite of the absence of uniformity in the figures referring indiscriminately to various branches of insurance, we think it well to reproduce a table showing the distribution of the capital of 52 foreign societies in various

investments. As these societies are not classified otherwise than according to nationality, and not even in regard to the class of risks undertaken, there is no possibility of comparing the investments of the German and foreign societies.

TABLE X. — *Distribution of the Capital Invested by Foreign Societies working in Germany at the End of 1911.*

Number and Nationality of the Foreign Societies Considered	Total (Thousands of Marks)	Investments per 1,000 marks of Capital						
		Real Estate	Mortgages	Bonds and Stock	to Public Institutions	on Pledge of Securities	on Policies	Other Investments
4 American Societies . . .	7,454,115	38	217	594	—	—	151	—
2 Belgian " . . .	10,419	34	—	948	—	18	—	(0.2)
2 Danish " . . .	48,444	18	351	545	—	—	86	—
15 British " . . .	2,055,939	113	123	680	—	25	39	2
3 French " . . .	453,158	149	52	774	—	(0.3)	25	(0.04)
4 Dutch " . . .	157,913	123	303	473	—	23	78	—
12 Austrian " . . .	774,428	106	325	479	—	8	79	3
2 Swedish " . . .	74,854	56	532	235	—	48	82	—
8 Swiss " . . .	335,772	60	547	358	—	1	33	1

If, however, we compare these figures with those for the life insurance societies working in Switzerland (Table III), we shall find a sufficient agreement between the figures relating to the investment of capital in various ways in the case of the American, British, French and Swiss societies. This convinces us of the utility of reproducing the figures in the preceding table, in order the better to show the special distribution of their capital by the societies of the different countries.

Among the foreign societies for which the table gives figures, a prominent position is taken by the Austrian societies with 774,000,000 marks of invested capital. The societies in this group undertake various risks: life, accident, fire, theft, breakage of water pipes, window glass and machinery, loss of business and non-receipt of rent. There is apparently a larger amount invested in bonds and stock (479 %) than in mortgages (325 %). But these figures permit of our holding it possible that the life insurance companies, by their nature able to invest a considerable part of their reserve funds in mortgages, may invest more in this than in any other ways.

The Dutch societies : Kosmos, Niederländische L. V. G., Die Niederlande, and Niederl. Lloyd are, the first two, life insurance businesses; the others, societies insuring against hail, loss of business, theft and depreciation in the price of sugar. They together invested 473 % of their capital in the purchase of bonds and stock and 325 % in mortgages.

The two Swedish societies, Skåne and Svea, insure against fire, and the second also against loss of business; they prefer mortgage investments (547 %) to investments in bonds and stock.

The Danish societies working in Germany are two : the "Hafnia", a life insurance society, and the "Nye Danske", insuring against fire and theft. They invest 545 % of their capital in the purchase of bonds and stock, 351 % in mortgage loans and 18 % in real estate.

The Belgian societies, Belgische All. F. V. C. and the Lloyd Belge, insure, the first, against fire and, the second, against fire and theft. They invest almost all their capital in bonds and stock.

The report of the Imperial Office for the supervision of Private Insurance enables us to discover the proportion of the urban and rural mortgage loans granted by 92 businesses and outstanding at the end of 1911.

The loans in question were 39,445 and their amount was 4,159,063,000 mks. Out of these, 36,817 for 3,907,724,000 mks. were granted by 50 large German societies and 1,835 for 94,149,000 mks. by 28 societies for pension and the grant of subsidies in case of death. Altogether the loans made by these societies amounted to 90 % of their mortgage investments. Finally, 14 foreign societies granted 793 loans for 157,900,000 mks.

In 1911 there were 533 rural loans for an amount of 35,281,000 marks, while the urban loans were 38,912 of a value of 4,123,782,000 marks. However, the amount of the loans granted to rural landholders was only 0.8 % of the total; and that granted on urban real estate 99.2 %.

The loans on rural mortgages were for the most part (86 %) on real estate situated in Prussia; only to the extent of 4.0 % in Bavaria and to that of 2.5 % in Württemberg.

The capital invested in urban mortgages is principally invested in Berlin (34 %) and its environs (25.1 %); in the rest of Prussia 23.2 % is thus invested.

The average amount of the loans lent on rural mortgage in 1911 was 66,200 marks, that of those lent on urban mortgage was far greater or 105,000 marks.

The mortgage loans granted by the insurance societies are on an average far larger than those granted by the mortgage banks. In fact the average amount of the loans (urban and rural) of 38 mortgage banks amounted at the end of 1911 to 45,200 marks.

There are no figures in the official publication to show the difference between the rate of interest and the commission charged on urban and rural mortgages, as it confines itself to giving the figures for urban loans.

The revenue from urban loans in 1912 was as follows :



	Interest	Commission
Berlin and Environs . . . . .	4,276	1,067
Germany. . . . .	4,296	0,896

These figures enable us to understand the reason of the preference of the insurance societies, above all of the life insurance societies, for mortgage investments: they obtain a revenue they could hardly get from perfectly safe Government securities.

The reader will not have failed to observe the economic and social importance of some of the figures we have given. He will have remarked that the immense amount of capital of the insurance societies invested in mortgage loans is almost exclusively lent on urban estate and preferably satisfies the credit requirements of the large proprietors in the large urban centres. This has been accounted for in various ways. Apart from technical reasons, relating to the financial nature of urban mortgages, one reason alleged is that the insurance and especially the life insurance societies find the business simpler and the investments safer when they lend on mortgage in Berlin or the other large urban centres in which they have their headquarters.

Rural estate certainly suffers by this action of the insurance societies, although we know that thrift has assumed a greater development among the city than among the country populations, yet it may be said that the revenue derived by the societies from farmers under the form of premiums as compared with that derived from the inhabitants of cities is in proportion larger than the capital invested in rural mortgages compared with that invested in urban.

The insurance societies thus encourage a considerable emigration of capital from the country to the cities, with no unimportant loss to the interests of agriculture.

The East Prussian Landschaft, in opposition to this financial policy of the insurance societies and with the object of encouraging dismortgaging by means of life insurance, founded a public life insurance institute on November 15th., 1910. Similar institutes have since been founded in other provinces and in 1913 they united in a federation (1).

The Institute of the East Prussian Landschaft has endeavoured to invest its reserve fund for the public advantage. In 1912, as in 1911, the institute was careful to satisfy the real credit requirements of the owners of small and medium sized holdings in cities and in the country. Except for the amount of 50,025 marks invested in annuities, all the capital available in 1912, the last year for which we have the report before us, was invested in mortgage loans.

On December 31st., 1912, mortgage loans for the amount of 524,294.56 marks were granted and bonds and stock bought for that of 832,105.37 marks.

(1) On the organization and work of these institutes, see the articles published in the numbers of this Bulletin for August, 1912 and December, 1913. Part III. Credit.

The amounts lent on mortgage are shown in the following table, which shows the importance of the various classes of loans.

TABLE XI. — *Loans on Mortgage Granted by the Public Life Insurance Institute, founded by the East Prussian Landschaft (on December 31st., 1912).*

Area Mortgaged	Number of Mortgages	Total Amount — Mks.	Average Amount — Mks.
I. — <i>Rural Mortgages.</i>			
Up to 50 ha. . . . .	41	95,250	2,323
Between 50 and 100 ha. . . .	17	108,100	6,359
" 100 " 200 " . . . . .	13	170,300	13,100
Over 200 ha. . . . .	4	90,700	22,675
Total . . . . .	75	464,350	6,191
II. — <i>Urban Mortgages.</i>			
	4	60,250	15,063
Total . . . . .	79	524,600	6,640

The average amount of the rural mortgages is therefore 6,191 marks, that of the urban mortgages, 15,063 marks; as the reader will see, these figures are far less than those for the average loans on rural and urban mortgages granted in 1911 by the private insurance societies and respectively 66,200 mks. and 105,900 mks.

The rate of interest is  $4\frac{1}{2}\%$  and at least  $1\frac{1}{2}\%$  sinking fund is charged a year. The mortgages are granted for  $\frac{3}{8}$  or  $\frac{6}{8}$  of the value of the real estate according to the estimate made by the Landschaft. The business expenses are covered by the amount of the annual instalment, in four years in the case of rural mortgages granted on  $\frac{3}{8}$  of the estimated value, and in ten years in the case of loans granted on  $\frac{6}{8}$  of the same.

Other public insurance institutes, founded by Prussian Landschaften, lend on mortgage. But we shall not delay over these, because the nature of the real estate mortgaged is not shown in their balance sheets.

The foundation of public insurance institutes by the Landschaften led even private societies to think of meeting the demands of rural land

credit in 1912. A scheme was prepared by the "*Verband der Güterinteressen des Deutschlands*", proposing the foundation of a bank, the "*Deutsche Länderbank Aktiengesellschaft*", with an initial capital of 20,000,000 mks., with the object of granting credit in behalf of rural landed property out of the funds of the private insurance societies. For various reasons the programme has not been carried out.

There is now being founded a "*Deutsche Vermittelungs-Gesellschaft*", with the object of obtaining safe investment for the funds of life insurance societies in second mortgages on urban and rural landed estate.

#### § 4. LIFE INSURANCE SOCIETIES AND THE INVESTMENT OF THEIR CAPITAL IN AUSTRIA.

According to § 29 of the Order of the Departments of the Interior, Justice, Commerce and Finance of March 5th., 1896, the mode of investment of the funds of the insurance societies must be accurately stated in their rules. In § 29,3, it is also laid down that in general the institutes must look for easily realisable investments and, consequently, avoid placing themselves in danger of not being able promptly to fulfil their engagements, through the excessive purchase of real estate. In the absence of suitable regulations, § 30 of the law provides that in the case of new investments the reserve funds may be placed:

1. in national securities suitable for trustee investments;
2. in loans to the State and the countries represented in the Reichsrat;
3. at interest in real estate in the country, provided it is not burdened up to more than one third of its purchase price;
4. in mortgages suitable for trustee investments, registered in the country;
5. in deposits in national Savings Banks;
6. in discounting bills the Austro-Hungarian Bank discounts;
7. in loans on their own life insurance policies, but in no case for an amount exceeding the purchase price;
8. in loans on the securities indicated under no. 1, up to the amount of 80 % of their exchange value, an amount which in the case of bonds to be drawn for must not exceed the minimum value shown in the announcement of the drawings, free of all charges;
9. in loans to national co-operative societies which, according to their rules, cannot borrow to an amount exceeding that of the shares paid up by their members;
10. in guaranteed loans to their policy holders, provided every precaution is taken, especially in the case of reserve funds, for the security of the investment;
11. in deposits in accredited credit institutes, in current account of against bonds, provided the nature of the business necessitates that the

funds are easily realisable. Altogether, the provisions of the Austrian law correspond with the spirit of the German legislation, which is to publish precautionary rules so that the life insurance societies may not make investments that might be ruinous to their policy holders.

Let us now see in what ways the life insurance societies invested their funds in 1911, within the limits fixed by § 30 of the Ministerial Order of March 5th., 1896. For want of space, we shall confine ourselves to reproducing from the publication of the Department of the Interior mentioned above the total amount of assets, the amounts invested in mortgage and the percentage of the assets invested under the three heads: real estate, bonds and stock and mortgages.

In the following table account is taken of the individual businesses, for the percentage varies, even within the two classes of societies limited by shares and mutual societies.

TABLE XII. — *Investments of the Austrian Insurance Societies.*

Title	Total Assets	Invested in Mortgages	Percentage of Total Assets		
			Real Estate	Bonds and Stock	Mortgages
	crs.	crs.			
<i>Societies Limited by Shares:</i>					
1. K. K. priv. "Assicurazioni Generali" at Trieste . . . .	389,944,749	40,451,878	15.1	63.1	10.5
2. K. K. priv. "Riunione Adriatica di Sicurtà" at Trieste . .	143,382,094	7,965,200	14.5	70.4	5.6
3. "Der Anker", Gesell. für Lebens- und Rentenversicherungen at Vienna . . . . .	195,178,958	94,910,346	5.9	30.9	48.6
4. K. K. priv. öster. Versicherungsgesell. "Donau" at Vienna	37,816,433	20,259,546	16.8	9.8	53.6
5. Wiener Lebens- und Rentenversicherungsanstalt at Vienna	45,647,931	18,235,642	11.2	33.1	40.0
6. K. K. priv. Lebensversicherungsgesellschaft "Öster. Phoenix" at Vienna . . . . .	64,726,385	20,322,825	14.0	28.3	31.4
7. "Allianz" Lebens- u. Rentenvers. — Aktiengesell. at Vienna.	23,932,290	14,577,168	9.6	16.0	60.9
8. "Universale", Allgemeine Volksversicherungsgesell. at Vienna.	25,156,096	593,604	11.9	66.3	2.3
9. Erste böhmische allg. Lebensvers. — Aktienges. at Prague .	9,149,901	1,302,090	25.6	42.1	14.2
10. "Atlas", Lebens-Militärdienst- und Rentenvers.-Akg. at Vienna	10,472,893	4,137,495	18.3	30.0	39.5
Total for the Societies Limited by Shares . . . . .	940,407,730	222,755,794	12.8	49.8	23.7
<i>Mutual Societies:</i>					
1. Wechselseitig Lebensvers. "Janus" at Vienna. . . . .	42,545,949	39,439,855	5.5	5.2	71.6
2. Wechselseitige Lebensversicherungsgesellschaft at Cracow . . . . .	40,632,474	12,590,629	1.6	14.5	31.0
3. Erster allgemeiner Beamtenverein der öster.-ung. Monarchie at Vienna. . . . .	77,061,296	38,310,182	3.7	8.1	49.7

TABLE XII. — *Investments of the Austrian Insurance Societies (Continued).*

Title	Total Assets	Invested in Mortgages	Percentage of Total Assets		
			Real Estate	Bonds and Stock	Mortgages
	crs.	crs.			
Lebensversicherungsverein von Eisenbahnbediensten at Vienna . . . . .	4,147,588	—	14.6	67.3	—
"Concordia", Reichenberg-Brünner gegenseitige Versicherungsanstalt at Reichenberg . . . . .	8,961,588	3,506,186	7.2	28.2	39.1
Wechselseit. Kapital- und Rentenversicherungsverein "Praha" at Prague . . . . .	27,566,507	15,383,940	3.2	26.1	55.8
Gegenseitige Versicherungsbank "Slavia" at Prague . . . . .	50,343,314	17,337,756	1.2	45.9	34.4
K. K. priv. "Gisela-Verein", Lebens- und Anstehversicherungsanstalt auf Gegenseitigkeit at Vienna . . . . .	88,359,734	73,439,405	1.1	8.6	83.1
Kaiser Franz Joseph I., Landesversicherungs fonds at Prague . . . . .	11,048,594	—	—	95.2	—
Pensionsverein für Angestellte des Handels u. der Industrie at Vienna . . . . .	6,049,354	4,686,726	—	13.5	77.5
Niederösterreichische Landes-Lebens- u. Rentenversicherungsanstalt at Vienna . . . . .	35,568,670	19,802,583	2.9	29.5	55.7
Städtische Kaiser Franz Joseph-Lebens- u. Rentenversicherungsanstalt at Vienna . . . . .	18,522,614	12,396,145	9.9	7.5	66.9
Lebensversicherungsanstalt der Markgrafschaft Mähren at Brünn . . . . .	20,145,537	2,587,274	—	57.8	12.8
Prager städtische Lebens- und Rentenversicherungsanstalt at Prague . . . . .	570,108	—	—	81.7	—
Böhmische wechselseitige Lebensversicherungs- at Prague . . . . .	776,756	—	—	21.6	—
for the Mutual Societies . . . . .	432,300,083	230,480,681	2.9	21.5	53.3
General Total . . . . .	1,372,797,813	453,236,475	9.7	40.9	33.0

As we see from the preceding table, out of total assets of 1,372,707<sup>1</sup> crs., a total amount of 453,236,475 crs. or about a third of the available funds is invested in mortgages. But it is to be observed that the differences between the societies in regard to the proportion of their funds invested in each of the three different classes are very great. The societies on a mutual co-operative basis invested 53.3 % of their available funds, amounting to 432,300,083 crs. in mortgages, whilst the societies limited by shares only thus invested 23.7 % of their total funds amounting to 940,407,730 crs.

In both the former and the latter groups, however, we find societies like the "*Azzicurazioni Generali*" and the "*Riunione Adriatica*" of Trieste or the "*Kaiser Josef I*" and the "*Prager städtische Lebens- und Rente versicherungsanstalt*" of Prague investing 63 %, 70 %, 95 % and 81.7 % of their capital respectively in bonds and stock.

Bonds and stock form altogether the principal group of investments (40.9 %): they are much more important items in the accounts of the societies limited by shares, (49.8 %), and much less important in the accounts of the mutual societies (21.5 %). The societies limited by shares possess a considerable amount of real estate in comparison with the mutual societies and the life insurance societies of other countries.

On this score and also as they invest more largely in bonds and stock and less in mortgages, the Austrian societies limited by shares approach the type of the French societies.

From the figures collected by B. Irányi for the period from 1873 to 1900, relating to the 32 Austrian and Hungarian societies, we learn that the proportion of the mortgage investments to the whole assets increased from 10.51 % in 1875 to 19.12 % in 1900 and again to 26.01 % in 1909.

	Years		
	1875	1900	1909
Total assets of 32 Austrian and Hungarian Societies . . . .	187,307,088	784,212,355	1,545,222,113
Mortgage Loans . . . . .	19,680,652	149,921,993	402,035,000
Percentage . . . . .	10.51	19.12	26.01

Among the bonds and stock, an increase is observable in the amount of the land bonds, which was, in 1910, 141,467 crs. in a total amount of securities of altogether 409,630 crs. (that is 34.54 %) and in 1909, 310,068 crs. in a total of 725,834 crs. (or 43.96 %).

The official publications do not distinguish between the loans granted on security of urban and of rural real estate.

(To be continued.)

## Part IV: Miscellaneous

### GERMANY.

#### THE LOWER RHINE VILLAGE AT THE "DEUTSCHER WERKBUND" EXHIBITION AT COLOGNE, 1914.

Although in the last ten years agriculture has made extraordinary progress both in a technical and in an economic sense, the rural population seems to be less and less satisfied with country life. In almost every European State there is observable a constant emigration from the country to the town and the industrial districts, not to be attributed solely to the hard work of the farm and the prospect of gains in the urban and industrial centres, often only apparently greater and more easy to obtain, but certainly also due to the fact that in modern times the comforts and beauties of country life are gradually disappearing.

There is no doubt that in many places the dissatisfaction of the rural population is above all due to economic causes and must therefore be opposed by provisions of an economic nature. Especially is the value of home colonisation now recognised by all and particularly the advisability of establishing peasants on holdings of their own, with the object of keeping a population in the country districts, but very often the emigration, especially of the young, is determined or at least accentuated by the fact that the general conditions of agricultural life do not correspond with modern requirements.

The great improvements and innovations introduced into agriculture have so far had little influence on the life of the rural population, for substantially they have only been of economic advantage to the farm business. But in order that the peasants may be satisfied with their life in the country and resist the attractions of the city, it is not sufficient to improve agriculture and stock raising, it is also necessary to maintain and increase the satisfaction the farmer takes in his profession and the attachment of the inhab-



itants of the country to their native districts, making their surroundings harmonious and agreeable and the conditions of their life suitable.

In one way, the progress of modern days has often had injurious consequences. Old customs and uses, originating in the conditions of country life and thus corresponding with the intellectual and spiritual requirements of agricultural populations, are continually disappearing under the influence of the cities: old costumes, old popular festivals are being abandoned; the picturesque, characteristic villages are becoming rarer and rarer, for in the erection of new buildings little account is taken as a rule of local architectural tradition and of the requirements of the environment. Even the furnishing of the interior of the houses no longer presents the solid and comfortable appearance of former days; the cupboards and chests, tables and chairs of good design and artistically inlaid, the simple domestic furniture suited to the rural population of the past, are being substituted, to a constantly larger extent, by tasteless and inconvenient articles of modern manufacture.

It is one of the most important social duties of the day to set a limit to the monotony, the sense of void, that is in this way spreading over the country districts. It is not enough if we wish to keep the peasants loyally attached to their profession to offer them a secure existence; we must provide against their being left in a position of too great inferiority in comparison with the inhabitants of the towns.

The reform needed must embrace the whole field of rural life. It is not merely a question of reviving the old era which is passing away; on the contrary, effort must be made to unite the natural advantages of country life with the attainments of modern civilisation. Certainly, the country can never offer its inhabitants altogether and in every way the advantages of rich and populous cities; but even in the country there are possibilities of improving the roads, the means of traffic, the public institutions, railway service etc., and by these improvements life may be rendered more agreeable. Above all provision must be made that the peasant after the fatigues and labour of the day and of the week, may, both in the bosom of his own family and in the social and intellectual life of the village, be able to satisfy his need for repose and recreation, diversion and intellectual enjoyment.

For this reason, special attention should be given to the question of the care of the home and the education of the young women, for the women have a particularly important part to play in the work of improvement of the conditions of country life. Immense efforts have still to be made in all these directions. But when we have succeeded in improving the mode of life of those who inhabit the country, and rendering their existence richer in interest, even as success has already been attained in increasing the material production, agriculture will cease to be exposed to the peril of losing part of its best strength by the attractions of the cities and the industrial districts.

Numerous and important efforts have already been made in various districts with the object of accomplishing the immense tasks to which

we refer. In Germany above all, the "Verein für ländliche Wohlfahrts- und Heilnappflege" (*Association for the Welfare of the Rural Population*), under the direction of H. E. Dr. Thiel, in the last eighteen years has been exerting a highly beneficial action in this field and the other agricultural associations have also taken much active interest in the matter. We must specially mention, as particularly useful, the *Bauberatungstellen* (offices or consultation in reference to building), instituted in various States and provinces, which aim at promoting general improvement in domestic architecture. They examine and correct the plans of buildings presented to them, and, in union with the communal authorities and the police, they propose unsuitable erections. At the same time, they see that the plans and constructions of edifices are entrusted to competent architects and that skilful artisans are again led to do really artistic work, owing to the general improvement of taste.

These efforts may lead to very important results with the help of exhibitions adapted by their nature to make rapidly and convincingly known the ideas by which they are inspired, to a large number of those concerned. Some months ago mention was made in this *Bulletin* (1) of the "Modern Village", exhibited last year at the Universal Exhibition of Ghent. This year, the exhibition of the "Deutscher Werkbund", inaugurated at Cologne on the sixteenth of May, gives a new opportunity for making acquaintance with a model village answering to the requirements of the age. The "Deutscher Werkbund" is an association of artists and lovers of art, founded seven years ago with the object of giving artistic nobility to all industrial products and of providing that the influence of art may make itself felt in the life of every social class. To give concrete expression to this intention and to show to what extent these æsthetic principles have been acted upon in Germany and Austria, the association this year held at Cologne, the centre of one of the richest and most important districts in Germany from the economic point of view, a first exhibition embracing all the various departments of its action. As every object, before being accepted, was subjected to a special examination, the exhibition gives a fairly precise idea of the aims of the artists associated in the "Deutscher Werkbund" as far as concerns architecture, urban buildings, the art of gardening, the decoration of workshops and offices, the development of traffic and sport, education, small houses etc.

A part of the exhibition, specially instructive for farmers, consists of the "Lower Rhine Village", erected on the suggestion of Landrat von Reumont (2). The exhibition wishes to offer a model for modern culture in rural surroundings especially in relation to the systems of buildings and the situation of residential centres in the regions of the Lower Rhine, with

(1) See our number for March, 1914.

(2) The following information is largely derived from an article by Landrat von Reumont, that the author kindly communicated to us even before its publication in the special number of the "Landwirtschaftliche Zeitschrift für die Rheinprovinz", Bonn, June 19th, 1914, no. 25.

due regard to the changes that have taken place in our day in that district, which is rapidly assuming an industrial character.

For the realisation of this design as far back as 1912 a large Committee was formed on which the Chambers of Agriculture and the Agricultural Societies of the Rhenish Province were also represented. This Committee entrusted the details of the work to an Executive Commission. Prof. Metzen-dorf of Essen had charge of the carrying out of the plan and with him 48 architects from every part of the Empire were associated in the building of the Lower Rhine Village.

The cost of the buildings came in round numbers to 250,000 marks and, although, not intended to remain permanently in site, they were all constructed as solidly as if they were to serve for use. Everywhere, the greatest care was taken to build with the utmost economy, for the experience of the consultation offices is that one of the objections most often made to suggested improvements is that the cost of buildings would be appreciably increased.

The village is situated in a very favourable position with abundant groups of trees marvellously adapted to give it a natural appearance.

Modern buildings, as commonly erected in villages, present three special kinds of defects; either the houses are too poor and bare, without architectural lines or any attempt to give life to the buildings or they are overloaded with a quantity of unsuitable decoration; or again exotic styles are made use of in a village with no consideration of the surroundings, presenting a diversity of forms and colours, so that the whole village is disfigured and spoilt.

On the contrary, in the Lower Rhine village, as far as the general arrangement, the appearance of the streets, and the details of the separate buildings are concerned, attempt has been made to form a beautiful and harmonious whole. The material chosen for the construction was brick; for the roofs of the buildings, the church included, dark grey tiles were prescribed. In this way, from the start, a great degree of uniformity was assured. The necessary variety could be provided by an alternation in the forms of the several buildings and varying treatment of the material employed.

Most of the houses are not only built in conformity with the rules of art as regards their exterior, but also perfectly arranged inside. With this object, suitable use has been made of the various improvements in technique and the most recent results of economic experience. In order to obtain ideas for the furniture, the Chamber of Industry (*Handwerkskammer*) of Düsseldorf, opened a competition among the carpenters resident in the Düsseldorf district and the furniture to be seen in many of the houses of the village, some of which was made for the above competition, answers not only to the practical and æsthetic requirements of the day, but to the special character of the persons for whom it is designed.

The village also contains all the various buildings that are in fact found in a rural centre. Farmers will find the metayers' houses especially

eresting. They should serve to show how agriculturists may profit by the progress of our days.

For the exhibition a dairy on modern principles was installed and was then at work on one of the largest farms; on a smaller farm a building was fitted up for the incubation of eggs.

The most striking building in any village, the church, might be seen there also. The country churches built in the last few decades show how necessary it is in this field to return to reasonable models. Generally, they are not in harmony with the other buildings of the village, in form, style, colour or material, so that they do not contribute to the beauty of the village. For the exhibition, however, an attempt was made to build a type of church which, while it is the most important building of the village and surpasses and dominates the others, is yet in harmony with the rest. The building which can hold 350 or 400 persons, cost only 30,000 marks. The internal decoration, which was entrusted to the "Ars Sacra" association recently founded at Cologne for the promotion and development of religious art, provides an example of how to satisfy the need for wealth of form and colour in the altars, pictures and statues, necessary to a Catholic Church, without recourse to the usual types of today.

In the village there are also several buildings for purposes of recreation and assembly, especially three types of restaurants of various sizes for various purposes and a large moveable hall meant to serve as a rule as a resting room, but suitable for festivals and ceremonies of every kind.

Unfortunately, it was not possible to build the school and the town hall. Then, the village contains a series of dwelling houses of various types, namely a labourer's cottage and several others for factory hands. Of the latter, two are meant each for one family, and two others respectively for 2 and 3 families. In building these houses for factory hands, it was tended to take account of the modern tendency, the result of the improved means of communication, the desire for country life felt by the urban population and the extension of industry, leading in many districts to increasingly intimate relations between it and agriculture, a tendency to be developed as far as possible through the preservation of the original agricultural character of the village. The workmen's houses are especially interesting, because at a comparatively low cost, they are supplied with conveniences, in the way of heating, baths, hot water etc., which formerly were in vain to be looked for in middle class dwellings. This is an indication that it is now time to build even peasants' houses and workshops more and more in accordance with present day requirements.

In one of the buildings there are two special exhibitions. One of them was prepared by the Rhenish Association for the Care of Monuments and Defence of the Village (*Rheinischer Verein für Denkmalpflege und Heimatschutz*) and gives, in a long series of photographic reproductions and drawings and sketches in colour, an idea of the types of building existing in various parts of the Province of the Rhine. The other exhibition illustrates the principal duties of the consultation offices for the protection of buildings.

Next to the buildings mentioned there is a village workshop and an electric exchange. By means of the latter it was desired to show that these buildings, of which more and more are being erected in the country, need not necessarily spoil the appearance of a village as they have usually done hitherto, but even, if properly arranged, may please the eye.

These few remarks may suffice. A full description, with numerous illustrations of this village, will shortly be published at Berlin by the firm E. Wasmuth, and in the preparation of it all the persons who have worked together for the exhibition are united. The intention of our article is to draw attention to the general significance of the exhibition. It shows a new current of very great importance, in regard to which in many places practical people have remained quite indifferent up to the present if not actually hostile to it. We must, therefore, note with sympathy the work of those volunteers who are endeavouring, by means of practical examples, to prove to the public that it is possible even with limited means to carry out modern æsthetic principles in the country and that simplicity and economy need not necessarily imply monotony and bad taste.

## GREAT BRITAIN AND IRELAND.

### COMPENSATION TO TENANT FARMERS IN ENGLAND AND WALES FOR IMPROVEMENTS AND FOR DISTURBANCE.

#### OFFICIAL SOURCES :

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In a country like England and Wales, where, as a rule, the land is not directly cultivated by the owner the relationship existing between landlord and tenant gives rise to many important questions, amongst them being those of compensation payable to an outgoing tenant for improvements made by him as also (in the case where the tenancy has been unreasonably terminated by the landlord) for the loss or expense incurred in removing to another holding. The importance of the subject and the great effect

which any alteration in the law applicable to it may have upon the interests of the community generally will be realized when it is stated that the amount of agricultural land in England and Wales which was farmed by non-owners (i. e., tenants) in 1912 was over 89 %.

The subject seems somewhat naturally to divide itself into three heads or periods as follows :

- (1) The Common Law position of the tenant farmer.
- (2) Legislative changes in the tenant's position.
- (3) Suggested further alterations of the law.

We shall note such salient weaknesses in the first state of the law as almost naturally led to its substitution by the second, the inevitable criticism even of the second state of the law and the suggestions for the still further alteration of the law which have consequently been made.

#### § 1. THE COMMON LAW POSITION OF THE TENANT FARMER.

The subtle influence of the old Roman law in shaping the rules of English Common Law is very clearly shown in the consideration of this very question of a tenant's right to compensation on quitting his holding for improvements he may have made during his tenancy. The English judges in the decision of the question as to what rights the respective parties — landowner and tenant — had in the improvements made by the tenant, had recourse to the old Roman legal maxim "*Quicquid plantatur solo, solo cedit*." This principle was, indeed, embodied in the Statute of Gloucester (6 Edw. I). Who, then, was the owner of the soil? The landlord, of course. Well, then, to the landlord must go all the improvements made by the tenant, of whatever those improvements might consist — the erection of buildings, the drainage of the land, the manuring of the land, etc.

The rule was clear, the application of it simple and, in the case of agricultural tenancies, all-inclusive. The tenant knew that any improvements he might make would belong to the landlord on the termination of the tenancy. He consequently hesitated to make any. The result not unnaturally has been that the landlord himself in England and Wales has made by far the greater number of the improvements on agricultural land. Perhaps another and indirect effect of this rule of law is the fact that the landowning and farming classes in England and Wales have on the whole sympathetically understood and respected one another. This has in turn reacted upon the economic position of the tenant making it in practice somewhat better than would at first sight appear to be the natural consequence of his unfavourable legal position.

This was the common law, that is, the law common to the whole country of England and later of Wales, but in some localities, as in Lincolnshire and the Vale of Evesham, customs arose whereby the tenant's position was materially improved. As early as the first half of the 19th century, it was the custom in Lincolnshire to grant compensation to quitting tenants for the

unexhausted value of the improvements they had made. It is perhaps not merely a coincidence that small holders in a great part of that county now obtain practical security of tenure by virtue of agreements with their landlords.

Again, in the very extensive fruit growing and market gardening district round Evesham a somewhat different custom arose at a somewhat later date and is still acted upon notwithstanding the statutory alterations of the Common Law to be considered later. In that district an outgoing tenant, giving up possession of his holding of his own free will, arranges with an incoming tenant as to the amount of compensation the latter will pay him for his improvements, and then introduces him as his proposed successor to his landlord. The landlord is morally bound to accept him at the same rental, unless for some adequate reason, though there seems to be no guarantee that the rent will not be raised. The landlord in cases to which the custom applies is not ordinarily concerned with the question of compensation, it is only when he himself gives notice or refuses to accept the outgoing tenant's nominee that recourse is now had by the tenant to the benefit of the statutory modifications of the Common Law. Pratt, in his "Transition in Agriculture" says with regard to the economic effect of the custom upon the district: "The 'Evesham custom' has, in fact, greatly facilitated the expansion of small holdings in that district, where growers on a considerable scale are also quite content to rent substantial areas of land on an annual tenancy and spend thousands of pounds in planting them with fruit, feeling quite satisfied with the security which the local "custom" gives them. But there is also the evidence taken before, and the report published by, the Departmental Inquiry into the Fruit Industry. This Committee, which reported in 1905, stated that they saw land in Evesham which a few years before only let for £1 per acre, then fetching £6 per acre as a fruit plantation, and that the selling value had risen from £15 and £20 per acre to £50 and £100. Moreover they stated that 50 acres of fruit land employs as much labour as 1000 acres of corn land.

And although Ireland does not come within the immediate scope of this article, yet it may be interesting, by way of comparison at least, to refer to the custom, which existed many years ago in the province of Ulster whereby the tenant had the right to sell his interest or goodwill in his holding. This custom was in fact extended to the whole of Ireland by the Irish Land Act of 1870.

Now in order to realize to the full the working of the rule "*Quicquid plantatur solo, solo cedit*" it is necessary to understand what sort of notice was required to terminate any particular tenancy, and whether the tenant had any security that his tenancy would not be capriciously put an end to by his landlord. It may be stated at once that there was nothing in the common law to prevent a landlord from terminating the tenancy from whatever motive he liked. The law made no distinction between the moral claims of a tenant to a renewal of his tenancy and those of any other class of person to a renewal of a contract once completed. Apart, indeed, from certain conditions as to notice (to be next considered) a tenant had in law no



more right to expect a renewal of his tenancy than a miller had a right to expect a continuation of custom from the farmer who had once made use of his mill. But the tenant had some sort of protection in the enjoyment of the fruits of his industry by the rule of law which regulated the determining of his tenancy. As to whether the law was adequate will appear later, but it had at least one virtue; it was easily ascertainable, and was as follows: The tenant holding under a lease for 7, 14 or any other term of years naturally held it for that period, and in law, for that period only, and he knew that on the determination of that particular period his further interest in the holding would be at an end. The tenant from year to year, however (and this term was and is the more usual when a lease is not made) was entitled in the absence of an express agreement or custom to the contrary to a half-year's notice expiring at the end of some current year of the tenancy. The rule was one and the same with regard to land used for agriculture as for any other purpose. An agricultural tenant for instance who had put much labour into his land in November might thus find himself unexpectedly turned out of his farm by the following July. It is true the rigour of this rule was in many cases relaxed in favour of the tenant by virtue of what was known as his customary right to emblements, i. e., those annual products of the soil, e. g., cereals, etc., which the land would not have produced but for his labour.

Except then in those districts in which local customs arose to modify it, no change in the general position of the English tenant farmer was made until 1851, and the direct right to compensation for improvements was not conferred upon him until 1875. What then was the economic effect of the law as it originally stood? It is of course difficult and almost impossible to estimate the precise effect which any particular law or custom may have upon economic conditions. We do, however, know this. Cautious men will only willingly alter their financial position, when assured that such alteration is certain to bring them if not a financial profit, at any rate not a financial loss. Consequently it is not to be wondered at that the condition of the law deterred the tenant farmer from making improvements. Even as early as the middle of the 17th century, an agricultural writer of repute remarked:

"If a Tenant be at never so great paines or cost for the improvement of his Land, he doth thereby but occasion a greater Rack upon himself, or else invests his Land-Lord into his cost and labour gratis, or at best lies at his Land-Lord's mercy for requittall; which occasions a neglect of all good Husbandry... Now this I humble conceive may be removed, if there were a Law Inacted, by which every Land-Lord should be obliged, either to give him reasonable allowance for his clear Improvement, or else suffer him or his to enjoy it so much longer as till he hath had a proportionable requittall" (1).

(1) Walter Byth, "The English Improver Improved," 1652. Quoted by R. E. Prother in "English Farming Past and Present."

It has further been said and no doubt with reason that in consequence of the state of the law, and the uncertainty of being able to rely absolutely upon the continued good will of the landlord, farmers have not made the best economic use of the land which it behoved them to do, as much in the interest of the nation as of themselves. At the same time it must not be forgotten that the fact that most improvements on agricultural land have been executed by the landlords, indirectly due as we have pointed out to the working of the common law rule, has led to the increased interest of the landlord in his tenant's holding, to the consequent feeling of sympathy between farmer and landlord, and to the expression of that sympathy in time of agricultural depression by the foregoing or reduction of rents, so much so that in the period 1875 to 1900 it has been stated that rents fell as much as 30 to 40 %, and that it has also been stated that in many cases the financial profit derived from the letting of agricultural holdings only gives the landlord 2 % net. On the whole it seems to be admitted that landlords have as a class acted up to the principle of "noblesse oblige" which their dominating position in law compelled them as a class to lay down for their own good guidance. Of course there have admittedly been cases in which this power has been abused, and it has been found necessary to invoke the aid of the legislature in this, as in so many other spheres of life in order to bring the bad, in so far as legislation can, into line with the good. It was the un wisdom of placing absolute reliance upon a law which could and which did in many cases work to the detriment of the farming community which made it necessary in the interests of farmers and the community generally to change the law.

## § 2. LEGISLATIVE CHANGES IN THE TENANT FARMER'S POSITION.

As already noted, the first material alteration of the law was made in 1851. In that year was passed the Landlord and Tenant Act, which provided that the tenant on quitting his holding, might, subject to certain conditions (including the written consent of his landlord to their erection) remove buildings put up by himself for his own use during his tenancy. It gave the landlord the option of purchasing such improvements. The Act was a great step forward, for, though it did not confer upon the tenant so called "compensation for improvements," yet it was the first practical Parliamentary endorsement of the moral claim of the tenant to any right of ownership in such unexhausted improvements.

The evil aimed at by this Act of 1851 could scarcely be expected to be remedied by the one Act. Consequently further legislation was passed in 1875, when the first Agricultural Holdings Act became law. This Act was merely permissive and not compulsory in character and little use was made of it. Consequently in 1883 another Agricultural Holdings Act was passed, and amending acts were passed in 1900 and 1906. Inasmuch as all three Acts 1883 to 1906 have been repealed and re-enacted

by the consolidating Agricultural Holdings Act of 1908, it will be sufficient for our present purpose if we consider very briefly the main provisions of these Acts and direct the greater part of our attention to the 1908 Act, expressing as it does the present state of the law upon the subject. By glancing at each Act as originally passed we shall appreciate the subject more correctly from an historical point of view.

The Act of 1851, as we have seen, did not give any right to compensation. The first Act by which this was conferred was the Act of 1875, and even this Act was permissive only. It related to improvements of three classes and gave compensation for such improvements where the application of the Act had not been expressly excluded in writing by the landlord and tenant concerned. The three classes were :

(a) Drainage of land, erection and enlargement of buildings, laying down of permanent pasture, etc. These required the previous consent of the landlord in writing prior to their execution to entitle the tenant to compensation.

(b) Boning of land, with undissolved bones, chalking, marling, etc., of land. These required a notice in writing by the tenant to the landlord expressing his intention to carry them out.

(c) Application to the land of purchased manure and consumption on the holding by cattle, sheep, etc., of feeding stuffs not produced on the holding. These required no consent and no notice.

The Royal Commission on Agriculture, 1882, commonly called the Richmond Commission, reported that, notwithstanding the beneficial effects of this Act, no sufficient compensation was secured to the tenant.

The Act of 1883 contented itself with making compulsory the main part of the Act of 1875. It provided that the basis of compensation should be "the value of the improvements to an incoming tenant" and made a few other alterations in favour of the tenant. One of the most important of the latter was that which dealt with the old common law period of half a year's notice, necessary to terminate any yearly tenancy, and provided that in the absence of any agreement excluding this provision of the Act a year's notice should in future be necessary to terminate the tenancy of all agricultural holdings. The Act of 1900 extended slightly the provisions of the Act of 1883 so as to bring within the scope of the Acts another class of buildings.

Thus far Parliament had contented itself with modifying the common law rule "*Quicquid plantatur solo, solo cedit*" and had not attempted in any way to interfere with that individual right to fix the duration of the tenancy which had for so long regulated the relationship of landlord and tenant. At law the tenant was entitled to get as long a lease of the land as the landlord was willing to give him and no longer. It was merely a question of bargaining. Land was a commodity to be sold or let as the parties chose. Whereas in former times, however, leases of land for a term of years, seven, fourteen, twenty-one and so on, were the custom, towards the end of the 19th century yearly tenancies had become much more general. The result of such a state of affairs is obvious. To be insecure in tenure

for a longer term than 6 months and one day (as might sometimes have been the case) could not be calculated to induce the tenant to sink much capital or labour in his holding. It was surely a case which demanded alteration, and so the Act of 1906 enacted that compensation should be given to the tenant for "unreasonable disturbance," that is, the determination of his tenancy "without good cause and for reasons inconsistent with good estate management." The object of this provision was to secure him in a reasonable expectation of continuation in his tenancy so long as he continued to farm properly.

We now come to a consideration of the Agricultural Holdings Act 1908, which, as previously stated, repeals and for the most part re-enacts with alterations the provisions of the Acts 1883-1906 just considered. We must preface our remarks by giving the definition of an agricultural holding, to which only, the Act applies. It is as follows:

"An Agricultural Holding means any parcel of land held by a tenant which is either wholly agricultural or wholly pastoral, or in part agricultural and as to the residue pastoral, or in whole or in part cultivated as a market garden and which is not let to the tenant during his continuance in any office, appointment or employment held under the landlord."

The Act provides that differences under the Act arising between landlord and tenant with respect to compensation shall in the absence of agreement be settled by arbitration. We will first consider the case of improvements.

#### *Compensation for unexhausted improvements.*

There are again three classes of improvements specified in the Act in respect of the unexhausted value of which the tenant on quitting his holding is entitled to compensation. In order to obtain the advantage thus given by the Act, the consent of the landlord is necessary in some cases, and notice is necessary in others. In some cases on the other hand neither consent nor notice is necessary. The amount of compensation to be paid by the landlord to the tenant is "such sum as fairly represents the value of the improvements to an incoming tenant." Certain restrictions are placed upon the right of a tenant, about to quit, to make improvements under the protection of the Act. There is also a provision which entitles the incoming tenant in certain circumstances to step into the shoes of the outgoing tenant.

The tenant and landlord may agree to a "fair and reasonable" compensation, but if they cannot agree the dispute must be arbitrated in the particular manner laid down in the Act.

The three classes of improvements are all contained in the 1st. Schedule of the Act and are as follows:

(i) A class consisting of 16 improvements, specified in Part I of the 1st Schedule. They are all of a certain permanence of character, and consist of such matters as the erection, alteration and enlargement of build-

ings, the laying down of permanent pasture, works of irrigation, the making or improvement of roads, bridges, watercourses, walls, fences, etc., the planting of orchards, etc, the reclamation of waste land, etc. The consent of the landlord must be obtained before the execution of the improvement, through he cannot be compelled to give it and may if he likes impose conditions when giving such consent.

(ii) Drainage only, specified in Part II of the 1st. Schedule. Notice must be given by the tenant to the landlord not more than 3 nor less than 2 months before commencing, that he intends to begin the execution of the improvement as also of the manner in which the improvement is to be executed. The parties may then agree as to the amount of compensation. If there is no agreement the landlord may execute it and charge the tenant annually with a proportion of the cost. If the landlord does not execute it "within a reasonable time" the tenant may do so and can then obtain compensation under the Act.

(iii) This class consists of the more usual and necessary periodical improvements and repairs to land and buildings specified in Part III of the 1st. Schedule, and includes clay-burning, liming, marling and chalking of the land, artificial manuring of the land, consumption on the holding of feeding stuffs not produced on the holding, repairs to buildings on the holding other than those which the tenant is bound to repair, laying down of temporary pasture with clover, grass, lucern, sainfoin or other seeds sown more than 2 years prior to the determination of the tenancy.

The above are all the provisions of the Act actually relating to compensation for improvements of the normal agricultural tenant, but there is another provision of the Act which relates to the tenant's right to remove fixtures (not specified in any of the three divisions just dealt with), for section 21 of the Act gives him the property in and right to remove "before or within a reasonable time after the termination of the tenancy" the following: "any engine, machinery, fencing, or other fixture affixed to a holding by a tenant, and any building erected by him thereon for which he is not under this Act or otherwise entitled to compensation, and which is not so affixed or erected in pursuance of some obligation in that behalf or instead of some fixture or building belonging to the landlord." But he may only remove such fixtures or buildings subject to the observance of certain conditions, e. g., due payment of rent before removal, due notice of intention to remove, the making good of all damage done in removal, the right of pre-emption in the landlord, etc.

#### *Compensation for unreasonable disturbance.*

The Act, section 11, re-enacts all the provisions of that of 1906 on this matter and gives compensation for "unreasonable disturbance" in two cases, viz :

(a) Where the landlord "without good and sufficient cause and for reasons inconsistent with good estate management" terminates the tenancy by notice to quit or refuses to grant a renewal when requested in writing to do so at least a year before the expiration of the tenancy.

(b) Where the landlord demands an increase of rent owing to improvements (unpaid for by the landlord) made by the tenant and in consequence of such demand the tenant quits.

The amount of compensation payable under this head is "the loss or expenses directly attributable to his quitting the holding unavoidably incurred upon or in connection with the sale or removal of his household goods, his implements of husbandry, produce or farm stock, on or used in connection with the holding." This claim is in addition, of course, to any claim the tenant may have in connection with his unexhausted improvements and roughly it ensures to the tenant the payment of his cost of removal. There are several provisions protecting the landlord against the abuse of this right. This Act also re-enacted the provision of the Act of 1883 relating to the period of notice necessary to terminate any agricultural tenancy. It must be noted however that this provision is not compulsory and may be excluded by agreement of landlord and tenant in writing.

All the provisions so far considered have related to agricultural holdings in the widest sense of the word. There are, however, various statutory provisions governing the payment of additional compensation in the case of two particular classes of agricultural holdings, namely, market gardens and those small holdings and allotments which have been created by the Small Holdings and Allotments Acts.

#### *Market Gardens.*

A "market garden" is defined in the Agricultural Holdings Act 1908 as any agricultural "holding, cultivated wholly or mainly for the purpose of the trade or business of market gardening." Now market gardening is essentially a business into which the tenant puts a more than ordinary amount of labour and capital as compared with the normal agricultural tenant. The fact that his case must be treated differently from that of the normal agricultural tenant has been voluntarily recognized by landlord and tenant in at least one district, viz. Evesham, to which we have already referred. The first Parliamentary endorsement of this policy was given in 1895 when the Market Gardeners' Compensation Act was passed. Inasmuch as the provisions of the Act of 1895 are now repealed, though in substance re-enacted by the Agricultural Holdings Act of 1908, we will outline the relevant provisions of the latter Act only. In addition to the right to compensation for improvements which are given by the Act of 1908 to him in common with all agricultural tenants he is given by the Act additional rights to compensation for the unexhausted value of five other classes of improvements, peculiar to his business. They are the planting of

standard or other fruit trees or bushes permanently set out, the planting of strawberry plants, of asparagus, rhubarb, and other vegetable crops which continue productive for two or more years; the erection or enlargement of buildings for the purpose of his business as a market gardener. These provisions, however, do not apply unless it is agreed in writing that the holding is to be let or treated as a market garden. He may also remove all fruit trees and fruit bushes planted by him and not permanently set out.

#### *Small Holdings and Allotments.*

Under the Small Holdings and Allotments Acts land is hired or bought by a local authority for the purpose of being sold or let to suitable applicants in small lots of not exceeding 50 acres or if exceeding 50 acres of the annual value of not more than £50. It will be interesting to see what right to compensation tenants of such holdings have for their unexhausted improvements. They, like the market gardener, are entitled to compensation for any of the improvements specified in the 1st. Schedule of the Agricultural Holdings Act 1908. In addition, on the expiration of the tenancy, they are entitled to "market garden improvements" i. e. all those improvements mentioned in the preceding paragraph, with the exception of the erection or enlargement of buildings. This right may, however, be excluded by an express prohibition in writing by the local authority letting the land. The tenant, if he feels himself aggrieved by this prohibition, may appeal to the Board of Agriculture and Fisheries, which may vary or annul the prohibition. The tenant of a Small Holding or of an Allotment may also always remove fruit trees or any sheds erected by him for which he happens to have no claim for compensation.

In connection with the subject of small holdings and allotments it should be noted that there is a useful provision in the Small Holdings Act 1910, which gives a tenant of an agricultural holding disturbed for the purpose of his land being taken for the provision of Small Holdings (only) the right to compensation for "unreasonable disturbance." A local authority under the act, subject to agreement to the contrary and to provisions protecting the landlord, is given the same right to the value of unexhausted improvements as a private individual has under the Agricultural Holdings Act 1908 as well as for any further improvements executed by them and necessary to adapt the land for small holdings or allotments.

### § 3. SUGGESTED FURTHER ALTERATIONS OF THE LAW.

Having considered what the law is, let us now turn to some criticisms which have been made with regard to the economic effect of that law and consider alterations which have been suggested in it.

It will be well first of all to deal with criticisms and suggestions made by Royal Commissions and Departmental Committees and then to consider how the matter is regarded in non-official quarters.

Although a consideration of the subject from the point of view as to what has taken place in Scotland and Ireland does not immediately concern us, some light may be obtained by referring to the results of recent enquiries in those countries.

In Ireland, as we have seen, the Land Act of 1870 extended the "Ulster Custom" to the whole of that country and thus gave to agricultural tenants in Ireland generally the right to sell the "tenant right" i. e. the tenant's good will or interest in his holding. It gave the tenant "compensation for the loss sustained by him by reason of his quitting his holding" when this was caused by his landlord, and it also gave him compensation for improvements made by himself. The Bessborough Commission of 1880 which enquired into the working of the Act, reported that it was not a success, as it failed to afford the tenant adequate security, particularly in protecting him against occasional and unreasonable increases of rent, and the Commissioners stated that in some cases in Ulster the process of raising rent had "almost eaten up the tenant right." As a result of this Report, the Irish Land Law Act of 1881 was passed, which provided for the fixing of fair rents, and this, in turn, was succeeded by various Land Purchase Acts under which the greater proportion of the land in Ireland has now been sold to the occupiers.

In Scotland, the Crofters Act 1886, established Land Courts for the assessment of rent on certain classes of holdings in the Highlands, and gave to the tenants reasonable security of tenure. Reporting in 1895 on the working of this Act, the Royal Commission on the Highlands and Islands of Scotland, stated: "The abiding sense produced that the permanent improvements which a crofter makes upon his holding will, if he complies with certain reasonable statutory conditions, accrue either to himself or to his family successor, and will not be taxable in the form of increased rent, and moreover will have a money value under a claim for compensation on renunciation of tenancy or removal from his holding, has led to vigorous improvements by crofters in many quarters." The Act of 1886 was so successful that various other similar Acts have been passed in that country and now by the Small Landholders (Scotland) Act, 1911, the principle of the Crofters Acts has been extended to the whole of Scotland, but only to holdings of not more than 50 acres, and of the annual value of not more than £50.

We can now consider Governmental enquiries which have been held with regard to matters in England and Wales itself.

The Departmental Committee on the Fruit Industry, reporting in 1905, said: "The questions of land tenure and the effect of the present state of the law upon the fruit industry have been prominently brought before us throughout the enquiry." They recommended that on the termination of the tenancy of a fruit holding by the tenant giving notice the tenant should have the right of introducing another tenant to take the



holding in accordance with the Evesham custom, and failing his acceptance by the landlord, the latter should be bound to pay to the outgoing tenant the amount thus lost by the tenant. They also recommended that if the tenant does not find a new tenant he is not to be entitled to any compensation, but that when the landlord gives notice, he is to pay compensation as at present. This suggestion, if carried out, would get rid of the valuation difficulty in one case at least, and in practice that difficulty apparently is of real moment. It would also relieve landlords of the fear they have had that if their land was used as a market garden they might have to pay large sums as compensation. It is indeed this fear, say the Committee, which has prevented the greater growth of fruit holdings. The Committee also add that for fruit growers the "ideal solution of the difficulty would be that every fruit grower should be the owner of the soil" and held that the passage of some such Bill as that introduced by Mr. Jesse Collings to enable tenants to purchase their holdings with the aid of advances from the State would be of immense advantage to the fruit industry.

The next official enquiry is the Report of the Departmental Committee on Tenant Farmers and Sale of Estates 1912. This Committee is more usually called the "Haversham Committee" from the name of its Chairman, Lord Haversham. It will be remembered that the Act of 1908 gave to tenants compensation for "unreasonable disturbance." A judicial decision held that it was not "unreasonable disturbance" within the meaning of the Act, when a landlord gave his tenant notice to quit in order that he might be able to sell his estate. The Committee were informed that agricultural land to the value of 1 ½ millions had been sold in 1910 and 2 millions in 1911. Consequently they found that great anxiety existed amongst tenant farmers as to the sale of their holdings (when they would have no compensation for "unreasonable disturbance") and that that feeling of insecurity was militating against good farming. They furthermore found that farmers were practically unanimous in wishing to remain under their present landlords, and that most of the tenants preferred 12 months' agreements rather than leases for a longer time and therefore "cannot in justice demand absolute security of tenure from the landlord should he find it to his interest to remain." The tendency of any legislation, in the opinion of the Committee, "should be in the direction of keeping a good tenant on the farm, so that he can, through confidence in his tenancy not being terminated, produce more per acre than if his energies were cramped by the constant fear of being turned out." The Committee could not recommend any alteration of section 11 of the Act of 1908 in such a way as to include the sale of the tenants' holdings, but they did recommend that in the case of such sale a 2 years' notice to terminate the tenancy should be necessary, and that 12 months should be the minimum notice for all agricultural land (any less to be void) inasmuch as any notice less than 12 months was seriously detrimental to agriculture." They also recommended that in the case of a sale the tenant should be able to serve a counter-notice on his landlord

to the effect that the notice terminating the tenancy should not operate until one year after the date when the original notice would have expired. The Committee in connection with the general question of security of tenure and allied matters recommended a scheme of State-aided purchase to enable sitting tenants to purchase their holdings, but that the amount to be used for this purpose should be limited to £500,000. They also recommended as supplementary thereto a scheme of State purchase "which whilst obtaining for the tenant security of tenure" will leave the tenant "free and untrammelled to apply the whole of his capital to his business, which is primarily agriculture and not land owning."

A Bill was subsequently introduced in Parliament embodying some of the recommendations of the Report, but was not passed. Quite recently a Bill called the "Agricultural Holdings Bill 1914" has been introduced in the House of Commons to extend the provisions of section 11 of the Act of 1908 to the case of sales over the tenant's head reported upon by the Haverham Committee. Although this Bill is backed by all political parties, it has not yet become law.

The above remarks relate only to recent official dealings with the subject of this paper. We have still to consider a considerable mass of evidence, criticisms and proposals of a non-official character. Inasmuch, however, as agricultural questions in England and Wales are becoming matter of great political importance we find that a great number of books has been published upon questions connected with the subject of this article, and in those books evidence has been collected and conclusions drawn which demand attention. In attempting, however, to arrive at a just estimate of the conclusions drawn from any given set of facts, and perhaps even of the evidence offered, allowance must naturally be made for the particular political bias which has prompted the publication of any book concerned. Again in considering what chance any particular political proposals have of becoming the law of the land regard must be had to political considerations quite outside the scope of this article.

Particular interest however attaches to the Report of the (Liberal) Land Enquiry Committee, Vol. I. Rural. This enquiry, it must be stated at the outset, was undertaken by a political party. The conclusions at which it arrives are that the Agricultural Holdings Act has failed in not giving security of tenure to farmers, that the compensation provisions are not adequate and do not work satisfactorily in practice because of the difficulty of obtaining the consent of the landlord and because the Act does not compensate for continuous good farming. The "unreasonable disturbance" compensation fails because it does not give security of tenure, and because the sale of his estate by his landlord deprives the tenant of compensation for disturbance. The amount of such compensation is inadequate (being only the cost of removal) and in addition the tenant has to give notice of his claims within two months and only gets compensation when asked for a higher rent for improvements he has made and leaves in consequence. They also find that the cost of obtaining compensation is excessive and that the results of insecurity of tenure are serious both to the tenant and to the na-

tion. They find that the tenant hesitates to make improvements the value of which may be lost to him or which may lead to an increase of rent "Moreover the fear of receiving notice to quit prevents the farmer and more particularly the small farmer from exercising his rights whether under the agreement or by Statute." On these, therefore, and other grounds the Committee recommend complete security of tenure, subject to necessary safeguards, and maintain that, in order to guarantee it effectively, Land Courts should be set up for fixing fair rents and assessing the compensation payable on the determination of a tenancy (1).

In other political quarters also the inadequacy of the present law is recognised and it is proposed to take steps for increasing the number of occupying owners. This has long been advocated by Mr. Jesse Collings, M. P. and more recently by Sir Gilbert Parker M. P. It is now becoming generally accepted as a policy of the Conservative Party, and in a pronouncement made by Lord Lansdowne in the June number of "Our Flag" it is laid down as a part of the policy of the Conservative party that the State should, subject to certain conditions, advance the whole of the purchase money to sitting tenants whose farms are offered for sale over their heads by their landlords, and similarly to sitting tenants who are willing to buy and whose landlords are willing to sell.

It will be seen, therefore, that in England and Wales, as in Ireland, legislation giving to the tenant the right to compensation for improvements and disturbance tends to lead to more fundamental changes in the relations existing between landlord and tenant and even, it may be, to the adoption of a different system of tenure altogether.

(1) For a more detailed statement of the Committee's recommendations see the article "Proposals for Land Reform in England and Wales" in the *Monthly Bulletin of Economic and Social Intelligence* of June 1914.

## UNION OF SOUTH AFRICA.

(TRANSVAAL)

### THE PROVISION OF SMALL HOLDINGS FOR MINERS AND INDUSTRIAL WORKERS ON THE RAND.

#### SOURCE :

REPORT OF THE SMALL HOLDINGS COMMISSION (TRANSVAAL). Government Printers: Cape Town, 1913.

#### INTRODUCTION.

Under a Government Notice dated 17th July, 1912, the Governor General appointed a Commission to inquire into a problem of land settlement of peculiar interest, that of providing small holdings for miners and other workers in the Witwatersrand Area of the Transvaal, usually called the "Rand".

The Report of the Commission, dated 1st October, 1913, is signed by four of the five members, and in accordance with the terms of the reference to the Commission, deals with the following matters:

- (1) The necessity for providing land within the Witwatersrand Area for establishing small holdings and for the settlement thereon of persons engaged in mining or industrial occupations;
- (2) The extent of land available for effective occupation;
- (3) The legislative changes, if any, required for carrying out any scheme proposed.

In brief, the Commission finds that there is, among the workers on the Rand, a very real demand for small holdings which is at present unsatisfied; that there is a large amount of suitable and conveniently situated land available; and that the principal cause which impedes the utilization of such land for small holdings is the antiquated and inefficient system of land taxation in force in South Africa. The Commission recommends, as a measure preliminary to the introduction of any scheme for providing land, the adoption of a system of graduated taxation of the unimproved value of land, and, provided that such a system of taxation be first adopted, recommends further that power be given to Government to appropriate land for the creation of small holdings.

While in many respects the problem relates to conditions which have arisen out of the administration of certain Mining Acts and are peculiar to the Rand, there is much in the evidence submitted and in the findings of the Commission that is of interest to the student of the general problem of land settlement, and for that reason we propose here to undertake<sup>a</sup> a somewhat detailed examination of the Commission's Report.

### § I. THE RAND AND ITS INDUSTRIAL COMMUNITY.

The Witwatersrand Area of the Transvaal, usually called the Rand, consists of the three Mining Districts of Johannesburg, Boksburg and Krugersdorp. Within this area are situated some fifty mines which are at the present time producing gold, and the Rand as an industrial community is entirely dependent upon gold mining. It has grown in 28 years from a primitive mining camp to a series of well ordered towns and prosperous suburbs, remaining however, to a singular extent, a community organized apart from the rural districts which surround it. There are no agricultural villages near the Rand, and the country round it shows practically no signs of closer settlement. The mining towns appear abruptly on the open veld, forming, in the words of the Report, "an industrial oasis in the midst of a pastoral wilderness".

Within the Witwatersrand Area there is a white population of 192,739 — more than one-seventh of the entire white population of the Union — and a native population, chiefly Bantu, of 303,592. These figures include women and children as well as adult male workers.

In March, 1913, the Mining Companies employed 24,107 whites and 213,880 coloured workers, and the South African Railways Administration, which ranks second only to the Mining Companies as an employer of labour, employed 3,721 whites.

Wages on the Rand are high for all kinds of labour and especially for skilled labour. The cost of living is also high, but not so high proportionately as wages. The Transvaal Indigency Commission, which reported in 1908, found that while in Johannesburg the cost of living was about twice as high as in England, the wages of skilled workmen were more than three times as great. The same Commission arrived at the conclusion that in the Transvaal the "reasonably careful" man, in continuous employment had a balance for saving which was "by no means inconsiderable". This is a fact which has an important bearing upon the question of providing small holdings. It may be considered as essential to the success of any scheme that each applicant for a holding shall possess some capital of his own which he is prepared to invest in the venture; while the prospect of attracting into agriculture the savings of industrial workers, is an additional reason for facilitating the creation of small holdings.

Another point of considerable importance upon which the Commission obtained information is the conjugal condition of the white employees

in the Rand. Out of 23,422 men working on the Mines in November 1912, 11,872 were married and 11,550 were single. Of the married men there were 1,963, representing 16.5 per cent. of the total number, whose wives were resident overseas. Many of these men complain that the conditions under which they live on the mines are not suitable for their wives and children, and the complaint is probably in many cases a just one.

If, as is asserted, the great need of South Africa is an increased white population, it would obviously be a wise policy to induce the wives of these men to join their husbands, who would then be much more likely to become permanent settlers. The Rand community is always in the main an immigrant population from overseas, and as long as it remains purely a mining community it is far from forming a stable part of the population of the Union. On December 31st, 1912, according to the Annual Report of the Government Mining Engineer, the total number of white employees on the Transvaal Mines was 26,359, of whom 8,318 were South African born, 5,637 were born in the United Kingdom, 966 were born in other British possessions and 1,438 in other countries.

## § 2. THE NEED FOR SMALL HOLDINGS.

The Commission in presenting the results of their inquiry find it necessary to draw a distinction between two kinds of settlement on small holdings:

(1) The settlement on small holdings of persons who will continue to be engaged on the Mines or in industry;

(2) The settlement on small holdings of persons who have retired from employment on the Mines or in industry, who wish to devote themselves to farming and make their living out of it.

Holdings of the first type are referred to in the Report as "Garden Holdings", and those of the second type as "Farm Holdings", both types being included under the term "Small Holdings". The important distinction is, that while the Farm Holding is one on which a man can make a living by agriculture, the Garden Holding is not. The latter is intended to provide the industrial worker with a home and with a plot of ground on which he can occupy his time and resources in poultry keeping or some other rural employment. The Commission recommend that a Garden Holding should be not less than one acre and not more than 5 acres in extent, and a Farm Holding not less than 25 or more than 500 acres. A holding of 500 acres would, relatively, be a small holding in South Africa. The three Mining Districts of the Rand are divided into 208 farms with an average acreage per farm of 2,606 morgen, equal to 5,729 acres, a morgen being  $2\frac{1}{4}$  acres.

Garden Holdings would have the more direct effect on social conditions on the Rand, but the Commission anticipate that the creation of Farm Holdings would have an important though less immediate effect on such conditions.

The Commission are of opinion that the settlement of the workers on small holdings would result in the improvement of conditions in the following respects :

- (a) By improving housing conditions ;
- (b) By making the population more settled ;
- (c) By encouraging habits of saving ;
- (d) By providing an opportunity for men who, for one reason or another, wish to retire from industrial occupations and take up a country life ;
- (e) By providing new openings for the rising generation ;
- (f) By creating a link between the Rand community and the rural population of the surrounding districts ;
- (g) By reducing the cost of living.

Each point here advanced in favour of small holdings demands a brief examination.

*(a) Housing Conditions.*

A return presented to the Commission shows that the Mining Companies provide quarters for 3,167 married men and accommodation for 13,753 single men. The demand for married quarters is always greater than the supply, but the rooms provided for single men are apparently not fully occupied. The estimated accommodation for single men is based on an allowance of one room to two men and, in the opinion of the Commission, " many of the quarters provided for single men, consisting as they do of back-to-back rooms, are by no means satisfactory from the health point of view ".

Some of the quarters are provided rent free but in most cases a rental is charged which is normally between £2 and £4.10 per month for married quarters.

The objections raised to the system of providing housing accommodation are :

- (1) That the employee has no interest in his house beyond his term of employment and cannot, therefore, regard it as a permanent home;
- (2) That the area of land allowed for gardens is usually very limited ;
- (3) That the quarters provided are so close to the Mines that the occupants are never free from the noise and dust of the workings.

The first objection is fundamental. More than 90 per cent. of the white employees on the Mines are subject to only 24 hours' notice for the termination of their engagements, and on leaving a Mine the employee has of course to leave his quarters. For various reasons there is a constant shifting of labour from one Mine to another, with the result that the employees seldom regard the quarters provided as real homes.

In some cases plots of ground are attached to the married quarters to form gardens ; but as ground devoted to gardens becomes subject to

assessment, and an additional burden for the payment of rates is thus thrown on the Mining Companies, these plots are invariably very small, and the tenure upon which they are held is insecure, they are usually neglected,

The third objection, that the noise and dirt invade the provided quarters, is of special importance from the point of view of the health of the women and children living on the Mines.

The worker who seeks a private house at some distance from the Mines has to pay in Johannesburg a rent of from £5 to £8 a month for a three or four-roomed house, and in some of the smaller mining towns rents are even higher. In the inner suburbs of towns speculative builders have already begun to build two or more houses on single sites measuring 50 × 100 feet or 50 × 75 feet, and this crowding together of small houses must, as is pointed out by the Commission, "inevitably be detrimental to the health and comfort of the occupants.

(b) *The Shifting Element in the Population.*

A certain proportion of the workers on the Rand are constantly moving from one Mine to another. Statistics presented to the Commission show that from January to June, 1911, with an average of 22,180 men employed on 53 Mines, there were 17,745 changes, an average of 13 per cent. per month. The causes of this migration, as put forward by various witnesses, are: (1) the inexperience of the workers concerned; (2) the fact that miners have no ties to keep them on any particular Mine; (3) the custom which exists among the miners of following a Manager when he is appointed to another Mine; (4) the short period of contract.

The Commission lay stress on the second and third of these causes. To some extent they are connected, for the miners having no real home in the quarters they occupy are willing to follow a manager with whom they are on good terms from one Mine to another. The change is easy: only 24 hour's notice is required on leaving a Mine and the demand for white labour is such that a miner is sure of employment on any Mine where he offers his services.

The Mining Companies would be glad to eliminate the shifting part of their staffs and attract round each Mine a permanent group of reliable workers. Several Companies, to that end, have initiated schemes for providing men with homes of their own on a kind of hire purchase system, and apparently the employers would be willing to support any well organised scheme for the creation of small holdings.

It was objected by a representative of the employees, Mr G. K. Kendall, Organiser of the Amalgamated Society of Engineers, that any scheme for providing holdings would give the Mining Companies a further hold over their employees by tying men down to a particular Mine. The argument is that a small holding in which a man has invested his resources and his labour would act as a drag upon that man, and weaken his power of



resisting such changes as a reduction of wages or an increase in the number of hours worked, should the employers seek to impose these conditions.

The Commission admit that in a sense the possession of a small holding may be regarded as "a drag" upon a man, but consider it "a drag of a very healthy kind" which, while it prevented him from entering lightly upon a dispute, would place him in a better position for asserting his claims when he had serious cause for complaint against his employer. Under present conditions the worker may be turned out of his quarters upon very short notice. Were he the occupant of a holding on which the instalments were paid his expenses would be reduced by the fact that he had no rent to pay, while his holding would provide him with useful occupation and, in part at least, with the necessities of life.

It is well known that the real evil to be feared in the event of a prolonged dispute between employers and their workmen is a deterioration of the whole group of workers as the result of a period of idleness. The average workman, in these cases, is apt to acquire habits which permanently impair his efficiency; and the hard living and even positive distress which accompany a stoppage of work almost inevitably weaken and demoralise the workers. The claim that small holdings would provide healthy and profitable occupation for the workers during disputes with the employers is, therefore, an argument of profound social importance in favour of their establishment.

The Commission are confident that the settlement of the workers on small holdings would lessen very appreciably the shifting from Mine to Mine, but they recognise that the difficulties arising from unavoidable migration must be taken into account. They recommend, therefore, that in forming a group of garden holdings a situation should be selected which is accessible from a number of mines. This would lessen the number of cases in which the workman who changed from one Mine to another would be compelled to abandon his holding. They recommend, further, that the terms under which holdings are granted, should give the small holder the right to transfer or surrender his holding and to obtain reasonable compensation for improvements effected.

### (c) *Small Holdings and the Encouragement of Thrift.*

Evidence was given before the Commission, by witnesses who were themselves employees on the Mines, to the effect that very few of the miners have any savings; and this supports the general impression as to the unthrift habits of the workers on the Rand. The miners, as the most unsettled section of the community, compare unfavourably with other classes of workers, but it is undoubtedly true of life on the Rand that the amount spent on amusements and recreation is abnormally high.

The Commissioners look to the creation of small holdings to provide a motive for saving and a means of investment. The man who has a piece of ground on which he can find interesting and profitable occupation will probably spend less time and money on the amusements of the towns, and

his desire to develop or stock his holding will form a constant inducement to saving.

(d) *Openings for men who wish to retire from Mining or other industrial Occupations.*

The importance of considering the capacity of small holdings to afford living to the occupier arises from the fact that men do not as a rule regard mining as an occupation to which they are content to devote the whole of their working lives. Mining is pre-eminently an occupation for men in all vigour. Many of the miners are country bred, and after a few years on the Rand their thoughts often turn naturally towards farming as an alternative occupation. It is true that only a certain proportion of those who wish to try farming are qualified to make successful small holders, but many more of them are likely to succeed if the way is made smooth for them.

The Commission examined first the case of men who are incapacitated by illness from working underground.

Men who show signs of Miners' Phthisis are entitled to compensation, amounting to £96 in the case of men whose physical efficiency is not permanently impaired, and to £400 in the case of men whose efficiency is seriously and permanently impaired.

The Commissioners think that these men might to some extent be induced to settle on Farm Holdings mainly devoted to fruit growing, poultry rearing or some other special industry, and so grouped together as to permit of their being conducted on a co-operative basis under Government supervision. A beneficiary under the Miners' Phthisis Act receives his compensation either in a lump sum or in equal monthly payments at the discretion of the Phthisis Board, and the Commissioners suggest that a part of his compensation might be applied towards purchasing and stocking a holding and the remainder paid as an annuity until his holding became productive.

The case of incapacitated workmen in occupations other than mining is similar. They become entitled to compensation under the Workmen's Compensation Act, 1907 (Transvaal), and the compensation received would go a long way towards establishing such workers on small holdings under any State aided scheme.

The Commission very properly lay stress on the necessity of grouping small holdings and of providing expert advice and supervision in connection with each group. The Government obviously cannot encourage industrial workers to become farmers without incurring some measure of responsibility for their future welfare, and the Commissioners therefore suggest that, wherever a considerable group of small holdings is established, one plot should be reserved to the Department of Agriculture to be used as an experimental and demonstration plot under the direction of a competent agriculturist whose duty it would be to assist and advise his neighbours.

(e) *New Openings for the Rising Generation.*

The evidence submitted under this head reveals the fact that there is a serious lack of opportunities for boys to establish themselves in any skilled trade upon leaving school about the age of fourteen. At the end of October, 1912, the total number of children attending schools on the Rand was 23,147. From 3,000 to 3,500 children leave school every year, about half of them being boys who are practically all available for work, if work can be found for them, as only about 2 per cent. continue their studies in University Colleges.

It is estimated by a Committee of the Witwatersrand School Board which enquired into the subject in 1909, that 45 per cent. of the children leaving school drift into unskilled occupations, and the estimate was admittedly a conservative one. The Headmaster of Volksrust school estimated, in 1913, that 66 per cent. of the boys who left the school were growing up without learning any real trade or occupation. Volksrust is not in the Witwatersrand Area but the conditions revealed there are referred to in the evidence as illustrating conditions generally throughout the Transvaal.

By creating small holdings it is hoped to afford openings in agriculture for a certain proportion of the children growing up on the Rand.

(f) *Link between Rand and Country Population.*

The fact that the Rand Community is sharply distinguished and in a great measure isolated from the surrounding rural life has already been noted. This absence of contact and intercourse is, the Commissioners think, bad both for town and country, and they expect that the development of small holdings would do much to bring one into closer touch with the other, and lead to a marked improvement in living conditions on the Rand. In course of time men working on the Mines would come to possess homes in the country to which they could go at the end of each week; fathers who had retired and taken up farming would have sons employed on the Rand; and sons who had started farming in preference to industrial occupations would be able to offer a home on their holdings to their parents. To some extent such arrangements already exist and with the extension of small holdings they would become common.

(g) *Reduction in Cost of Living.*

The establishment of small holdings on a considerable scale should tend to lower the cost of living by increasing the supply of eggs, poultry, vegetables and other kinds of farm produce. At present the Rand draws its supplies of such produce mainly from a distance and to a large extent

from oversea. A Johannesburg merchant with wide experience of the produce markets of the Rand furnished to the Commission a return showing what proportions of certain farm products were produced in the Transvaal. According to his estimates, only 15 per cent. of the butter consumed on the Rand, 40 per cent. of the eggs and of the poultry, 35 per cent. of the fresh meat, 10 per cent. of the flour and only 5 per cent. of the cheese, is of Transvaal production.

There seems, therefore, good reason to believe that the extension of small holdings would result in an increased local supply of farm and garden produce and in a consequent reduction in prices.

It may be added that a recent investigation has shown that the milk supply on the Rand is far from satisfactory. Small holders might readily co-operate to organise an efficient supply of pure milk, and thus earn a profit for themselves and confer a real benefit on the community.

### § 3. THE AMOUNT OF SUITABLE LAND EXISTING IN OR NEAR THE MINING DISTRICTS.

The Mining Districts of Johannesburg, Boksburg and Krugersdorp embrace an area of 560,848 morgen of land, of which 95,674 morgen have been proclaimed for mining and are subject to the provisions of the Gold Law Act 35, 1908, Transvaal). Briefly, land proclaimed for mining is thereby reserved to provide for all the requirements of mining, and for all matters that may be considered incidental thereto, such as sites for the erection of miners dwellings, for townships, and for sanitary purposes. A large area of proclaimed land, not actually used for mining purposes and not likely to be required for such purposes, is practically waste land. The owner has no power over it, and the State may only use it for the purposes in view when the area was proclaimed. The Commissioners are of opinion that an opportunity offers of using this land for the establishment of small holdings. It is not first class agricultural land, but is of fair average quality. The method proposed for rendering it available is discussed below in § 4 (c).

Of the total area of the Mining Districts only an insignificant amount is owned by the State. Within the proclaimed area the State owns 7,935 morgen; outside that area the amount of Crown Land is negligible.

In view of the fact that the owner of a Garden Holding must reside fairly near to the places which offer him employment, the Commissioners decide that in most cases sites for such holdings must be selected within the proclaimed area. This is a consideration which does not apply to the selection of land for farm holdings, as in this case the owner is making his living upon his holding and can market his produce by one of the railway lines which serve the Rand.

The Commission find that ample land exists which could be utilised for both classes of holdings; and the measures proposed for rendering land available on reasonable terms may now be examined.

#### § 4. THE MEASURES PROPOSED FOR RENDERING LAND AVAILABLE.

It will naturally be necessary, in discussing the measures proposed, to examine also the causes which at present impede the utilisation of the land for small holdings.

We shall deal under separate heads with : (a) Privately Owned Land (b) Township Land ; (c) Proclaimed Land.

##### (a) *Privately Owned Land.*

The first cause which discourages private owners from subdividing their land into small holdings is found in certain provisions of the Township Act, 1907, and the Precious and Base Metals Act, 1908, usually called the Gold Law.

According to the first of these Acts, any area of land which has been divided into lots exceeding fifteen in number, to which access is provided by leaving streets or open spaces, falls under the definition of a Township and at once becomes subject to the provisions of the Act itself. These provisions are designed to control the establishment of towns by regulating the laying out of building estates in urban areas, and are in no sense applicable to a scheme for the division of an estate into small holdings for agricultural purposes. But owners of land avoid subdivision which would result in the creation of a Township for the further and more important reason that by carrying out such subdivision they would lose valuable mining rights in their land. The right to mine under Township Land vests in the Crown alone. So long as any area remains undivided the owner thereof will, in the event of the area being proclaimed Public Diggings, share with the Crown, to the extent of one half, in the receipts from the sale of Mining Licences and in any rent received from lessees.

Further, he will upon proclamation have the right to select an area of areas equal in the aggregate to one-fifth of the proclaimed area, and upon ground thus selected he will have the sole right to mine.

It is easy to realise how the provisions of these two Acts discourage owners from cutting up their farms. The Commission recommend certain amendments, the principal effects of which will be :

(1) That an owner may divide his land into Farm Holdings of not less than 25 acres, or into Garden Holdings of from 1 acre to 25 acres and dispose of these holdings with a reservation in favour of his mining rights ;

(2) That a division into Farm Holdings shall not constitute a Township ;

(3) That while a division into Garden Holdings shall constitute a Township, the Mining Rights of the owner shall be secured to him.

But the Commissioners do not regard the combined effect of the Acts which we have been discussing as the principal cause which impedes the

establishment of small holdings. The principal cause, in the words of the Report itself, "is to be found in the present absurd and antiquated method of land taxation".

Taxation of land in the Transvaal is so light that it is practically negligible and the rates of taxation are not based upon any principle. A freehold farm, or any division of such farm greater than one-half, is taxed 10 shillings per annum, and any portion less than one-half is taxed 5 shillings per annum. Perpetual quit-rent farms are taxed, on every 100 morgen or portion thereof, 1 shilling and 6 pence per annum, so that one morgen of land pays the same tax as 100 morgen.

The lightness of the burden of taxation, in the opinion of the Commission, induces persons possessing the requisite capital to speculate in land, leads to the maintenance of fictitious values, and "encourages the locking up of land to the detriment of the people".

Under existing circumstances the Commissioners do not recommend either that Government should acquire land by compulsory purchase (for which purpose special legislation would be necessary) or that Government should attempt to acquire land for small holdings by purchasing it in the open market. In either case the fact that the State was desirous of acquiring land would be sufficient to send up the price, and the holding of land against the States and the settler who wanted it would become, the Commissioners assert, "an increasingly attractive form of speculation". They recommend, as the only effective means of rendering land available for small holdings at prices which represent the real productive powers of the land when put to beneficial use, the adoption of a graduated system of taxation of unimproved land values on the lines of the system in force in New Zealand.

They recommend, further, that power to expropriate land for land settlement purposes be conferred on Government by express provision. At present in virtue of a Proclamation (No. 5 of 1912) Government has power in the Transvaal to expropriate land for public purposes such as the construction of railways, telegraphs, irrigation works, works of defence etc., but the power does not extend to the acquisition of land for small holdings. Under the Land Settlement Act of 1912 the Minister of Lands is empowered to purchase land suitable for settlement either by public auction or by private treaty, but he has no powers of compulsory purchase.

The Commissioners, after explaining the considerations which have led them to recommend the introduction of a system of progressive taxation of land values, add: "We believe such a measure to be essential to the success of any land settlement policy, and there can be little doubt that it will prove of great assistance in furthering the purposes of the people of the Union, so far as those purposes are disclosed by the provisions of the Land Settlement Act, 1912, the Land Bank Act, 1912, and the Co-operative Agricultural Societies Act, 1908 and its amendments".

*(b) Township Land.*

The amount of land included in Townships within the Witwatersrand Area on the 31st December, 1912, was 19,982 morgen, of which 4,169 morgen were proclaimed for mining. The bulk of this land is still for sale, and the Township Owners' Association urged in evidence given before the Commission, that while Township land remained for disposal any scheme for providing small holdings was unnecessary. The Chairman of the Association in giving evidence was careful to explain that the Township owners were not opposed to providing agricultural small holdings. They were strongly opposed, however, to the granting of special privileges intended to facilitate the promotion of housing schemes by the Mining Companies themselves, and the Commissioners agree that there is no reason to differentiate between a scheme for the laying out of Township lots and a housing scheme undertaken by a Mining Company.

But the evidence shows that the Township owners would view any State aided scheme for opening up large tracts of land to effective settlement, as an infringement of their vested interests as owners of land which is offered for sale in the open market and which is burdened by the onerous provisions of the Township Act.

The Commissioners admit that the argument that vested interests must be respected is not one which can be dismissed lightly, but submit the following considerations in favour of State aid for establishing small holdings:

(1) That the land offered for sale by Township owners is too expensive to be acquired for small holdings and is not intended to be devoted to agriculture ;

(2) That, therefore, Township owners have no real cause to object to the creation of small holdings on the ground of competition ;

(3) That, even if the establishment of small holdings will influence the prices of land offered for sale in existing Townships, that fact cannot be regarded as sufficient to preclude the initiation of a scheme for turning undeveloped land to profitable use.

The conclusion with which we are here concerned is that existing Township lands within the Mining Districts do not meet the requirements of the small holder.

*(c) Proclaimed Land.*

The proposals with regard to land taxation referred to above in (a) apply only to unproclaimed land. The argument can have no reference to proclaimed land which is not under the owner's control and which, therefore, he cannot render available for small holdings even should he desire to do so.

There are 95,674 morgen of proclaimed land within the Mining Districts. At least 30 per cent. of this land will never be required for mining purposes

and as the law stands is destined to remain waste for an indefinite period. The proportion of proclaimed land which remains unused tends constantly to increase as gold is mined at greater depths and as the area of mineral bearing ground embraced in a single mining enterprise tends to grow larger, both factors tending to diminish the demand for land for surface workings.

It requires to be noted that Government has power to deproclaim land, as this is a consideration which affects the present value of proclaimed land, the owner's surface rights (in abeyance while the land is proclaimed) reverting to him upon deproclamation. The owner has no legal right to demand deproclamation, but normally, when it has become clear that land is serving none of the purposes of mining, the owner would apply for and obtain its deproclamation. His reversionary interest in the surface rights must, therefore, be taken into account if Government should at any time wish to expropriate his land.

The Commissioners recommend :

(a) That power be given to Government to acquire compulsorily the freehold of any portion of proclaimed land selected by the Minister of Mines as suitable for small holdings ;

(b) That the value of the land shall, in the absence of agreement, be fixed by a single arbitrator appointed by the Supreme Court.

The owner's reversionary right is, in the absence of evidence to the contrary, to be considered as becoming a right in possession after 30 years, and the Government, within a period of three months after valuation, may purchase the land on paying to the owner the estimated value considered as payable at the end of 30 years and discounted at 6 per cent.

The Commission further recommend that the selection of land for small holdings should be governed by the following provisions :

(1) The Minister of Mines must be satisfied that the establishment of small holdings on the area selected will not interfere with mining ;

(2) The Freehold owner and the owner of the Mining Rights shall be consulted as to the selection ;

(3) Land likely to be required for ordinary Townships shall not be selected.

As an alternative to the acquisition of the freehold of land by the Government, an alternative scheme is suggested under which the owner would retain the freehold and Government would issue Small Holding Licences entitling the holder to occupy land on certain selected areas, the receipts from the sale of such licences being divided between the State and the owner of the freehold as in the case of Mining Licences.

The Commissioners, however, consider the first plan under which the State acquires the freehold, decidedly preferable.

It has already been mentioned that the State at present owns a certain amount of land within the proclaimed area and it is proposed that Government should lay out small holdings on such portions of it as are suitable and grant the freehold title to the holders on certain terms.



## § 5. STATE AID FOR SMALL HOLDERS.

The Commissioners recommend the establishment of a special Board of three members to be known as "The Small Holdings Board", which shall have its office in Johannesburg, and the functions of which shall be to control the initiation of and to administer schemes for the provision of small holdings.

It is proposed that the Board shall consider applications for Garden Holdings only from persons who are regularly employed in mining or some industrial occupation in one of the three Mining Districts, and that in dealing with applications for Farm Holdings preference should be given to persons who have been similarly occupied for a specified period, the character and personal qualities of the applicant being, in all cases, a primary consideration. In the case of Garden Holdings it is proposed:

(1) That the plan of erecting a dwelling house and fencing and ploughing the ground before letting a holder take possession should normally be adopted;

(2) That the total purchase price of a holding should in no case exceed £600;

(3) That a certain minimum period of leasehold tenure should intervene before the freehold title is granted;

(4) That a small holder at the commencement of his tenancy should be required to spend a specified sum on improvements such as tree planting and the erection of an outbuilding of some kind;

(5) That the payment of the whole of the purchase price should be spread over a period of about 12 years and that the instalments should be payable at the same monthly rate from the commencement of the tenancy;

(6) That during the period of tenancy the small holder should be required to fulfil certain conditions as to residence on his holding.

With regard to Farm Holdings, the Commissioners conclude that the provisions of the Land Settlement Act, 1912, could be applied with certain slight modifications. The modifications which are indicated as necessary refer particularly to the holder's obligation to spend money on improvements which in the opinion of the Commission should be increased, while the Small Holdings Board should have power to specify the improvements to be undertaken. Under the Land Settlement Act the small holder would be allowed to pay the whole of the purchase price, including the cost of improvements, in forty semi-annual instalments, or, instead of paying for improvements as part of the purchase price, he would be entitled to an advance from Government not exceeding £500 to be expended on improvements or on stocking the holding. In either case the repayment instalments would not be equal from the commencement of the tenancy but during the first few years would be comparatively light. The possession of capital is a necessary qualification in the case of Farm Holdings, but the Commissioners wish to make it clear that suitable applicants will be assisted by advances where their own capital is insufficient.

During the probationary period of tenancy it will often happen that a lessee surrenders his holding before completing the purchase, so that the question of compensation for improvements is an important one. It is proposed that the Board should itself purchase the improvements when they are such as can properly be included in the purchase price to a new lessee.

The Small Holdings Board, besides initiating and directly administering schemes to provide holdings, would co-operate with employers or Mining Companies desirous of organising such schemes for their employees. A Mining Company would usually possess freehold land of its own, but in the case of an industrial employer who had no land available the Board would be empowered to secure land and place it at his disposal on specified terms.

The Board would also have power to acquire land on behalf of persons desirous of obtaining small holdings who, for the purpose of raising capital, form themselves into co-operative societies. In such cases the land would be administered for the benefit of the members entirely by the society itself.

#### § 6. CONCLUSION: THE MINORITY REPORT.

So far we have been dealing with the recommendations of the Majority Report: it remains to note the opinions expressed in the Minority Report signed by a single member of the Commission, Mr F. A. W. Lucas.

The members who sign the Majority Report make two recommendations which are fundamental and to which their various other recommendations are really supplementary. They propose that a progressive tax be placed upon the unimproved value of land, and that Government be given power to expropriate land for the establishment of small holdings. The proposed tax would not be levied upon the mineral value of land or upon land within Township areas.

Mr Lucas contends that the value of all land, mineral, urban and agricultural should be taxed without exemption and without graduation. He urges against a graduated system of taxation:

- (1) That grades must be fixed arbitrarily;
- (2) That it leads to excessive sub-division in order to evade the burden of taxation on the higher scales;
- (3) That, as a result of subdivision, the yield of a graduated tax would be uncertain and would tend to decrease;
- (4) That the collection of a graduated tax necessitates the compilation of elaborate records and would be expensive and difficult.

The point of view from which the writer of the Minority Report regards the taxation of land values may best be shown by quoting his own words. He writes:

"The present system of the private ownership of land, without any corresponding obligation upon the owner to pay to the community

the annual value of such land, is the direct cause of the poverty and unemployment and insecurity of employment which are now expressing themselves in various ways, including the desire for small holdings. That system involves a direct violation of the equal right to live of all the people in South Africa".

And again :

" A system of land values taxation, graduated according to the value of the owner's holding or holdings, sacrifices the principle that everyone in the country should have an equal right to the land ; that the whole of the land should belong to the whole of the people ".

Mr Lucas claims that the imposition of a flat tax upon the value of all land, besides facilitating the creation of small holdings, would have far reaching effects upon the economic and social position of the workers on the Rand. He does not believe that the mere provision of small holdings would permanently improve the position of the wage earning classes. " Doles of land ", he says, " under our present land system will produce no better results than doles of money ".

He proposes, therefore, not merely to impose a new tax but to shift the incidence of the tax system as a whole. In this connection he says :

" A general tax on land values throughout the Union would bring in such a considerable sum from people now paying little or no taxation that substantial relief could be granted from taxation which is now specially onerous upon farmers and other persons engaged in industry ".

Nor is Mr Lucas in favour of creating elaborate machinery for promoting the establishment of small holdings. " There will be no need ", he says, " for an expensive Small Holdings Board to divide land into plots of an arbitrary size and make minute and inquisitorial investigations into the mode of living of the small holders. By making land more readily available than it now is, each man can arrange for the acquisition of the particular sized plot he desires, and it can safely be assumed he will make good use of it under the pressure of rates on its value. There would then be no need for elaborate regulations prescribing how he should use his plot ".

Mr Lucas is of opinion that the creation of a simple and easily transferable form of title to land would in itself be sufficient to facilitate the establishment of small holdings and would render any special Government machinery unnecessary. He proposes that a title, which he would call " public land freehold ", shall be created, and that it shall be practically a freehold title subject to an annual payment of 4 or 5 per cent. on the capital value of the land, the value to be ascertained at stated intervals (preferably every five years) and to be exclusive of any private improvements made upon the land.

He claims for this form of title that it would prevent speculation in land, give security of tenure, and guarantee the absolute ownership of all improvements to the person who makes them.

## JAPAN.

### HOME COLONISATION

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## INTRODUCTION.

The geographical, ethnical and economic characters of the various territories of which the extensive Japanese Empire consists are so different and present such contrasts that they render impossible a complete and concise study of the work accomplished in it in the field of home colonisation.

The Japanese Empire consists, as we know, of five large portions, Japan proper, the island of Yezo and the adjacent islands (*Hokkaido*), Korea (*Chōsen*), the island of Formosa (*Taiwan*) and the Japanese possessions in Kwantung.

Leaving out of consideration the island of Formosa, which, as a tropical colony, could not be considered in this study as an integral part of the Empire and the small possessions of Japan in Kwantung, which, for the purposes of our study, are of little or no importance, we see that the Empire consists essentially of three large divisions, Japan proper, *Hokkaido* and Korea. Although, to say the truth, Korea and Formosa are seats of Governors General, similarly dependent in a political and administrative sense on the Central Government, and the two countries should be considered in the same

ly, yet for reasons it is easy to understand, it has become usual to consider Korea as a province forming an integral part of the Empire in the same way as Algeria is part of France, whilst Formosa is generally considered as a colony in the proper sense of the word. At the commencement of each of the sections relating to each of the three large divisions, we shall indicate the general geographical, climatic, ethnical and economic features of the particular division. So we shall limit ourselves here to briefly indicating the essential aspects of home colonisation in each of the territories to be considered. These may be briefly summarised as follows:

1st. *Japan Proper*. — Farms worked from remote antiquity, dense population, landed property very much subdivided. Home colonisation tends to the formation of holdings of medium size, not by the transformation of large estates, of which there are scarcely any, but by the union of scattered parcels belonging to the same owner, and the utilisation of the boundary between one parcel and another. Home colonisation, therefore, in this part of the Empire is essentially farm land readjustment.

2nd. *Hokkaidô*. — Land recently and only partially brought under cultivation, and sparse population. The colonisation work here tends to the formation of holdings of small and medium size, and is effected by means of an active current of immigration and the concession of land to be reclaimed. It may be said that this is the part of the Empire in which colonisation is most active, and most characteristic as well as best suited to the objects for which it is generally undertaken in the West.

3rd. *Korea*. — Land only partially and imperfectly brought under cultivation, little density of population, little or no regulation of the water courses, deforested areas and large wooded tracts still existing. Home colonisation almost exclusively limited to the work of reclamation of uncultivated land with no special object of forming small or medium sized holdings; important works for the improvement of the regulation of the water courses. There is besides something distinctive in the home colonisation, namely the effort of the Government as far as possible to strengthen the current of emigration from the Mother Country to Chôsen in order to settle the largest possible number of Japanese as colonists in this recently acquired territory.

Having thus briefly mentioned the characteristics of the work of colonisation in each of the three large divisions of the Empire, and the differences of character it presents in each region, we shall pass at once to the detailed study of each of the divisions.

## PART. I.

## § 1. GENERAL AND HISTORICAL REMARKS.

On referring to what we have said before, it will be found that Japan proper consists of three large islands, Hondo, Shikoku and Kiushiu, and the Ijukiu Islands, which, as Japan is at present subdivided for purposes of local administration, constitute the *Ken* (province) of Okinawa. The immense extent of this territory from North to South and the extraordinary variety of the geological formation of the soil cause profound differences in the water system, and the climate and atmospheric conditions in different parts of the country, the produce of which varies from that of tropical and subtropical regions (in the *Kens* of Okinawa and of the island of Kiushiu) to that of temperate or even cold temperate regions (in the northern *kens* of Aomori, Iwate etc.). In spite of this, owing to the political unity of the country during a thousand years, its centuries of isolation and the racial and intellectual unity of the inhabitants, the general conditions of the cultivators of the soil, whether landowners or tenant farmers, are, at least in essentials, sufficiently uniform, to allow of a study being based on an average not too remote from the extremes.

Before proceeding with the study of the present conditions of Japanese agricultural holdings, it is well to say at least a few words in reference to the past. It will be enough here to recall, adding a few more details, what we have already said (1) on a previous occasion. Japanese landed property, including agricultural holdings, representing by far the greatest part, was organized on feudal principles for a period of more than six and a half centuries, from the end of the twelfth to the middle of the nineteenth century. Such a long period, in which the basis of the institutions remained almost unvaried, naturally left deep traces in the constitution of the country, even after circumstances had profoundly and radically altered that constitution.

The fundamental conception of Japanese landed property, throughout the whole feudal period, was that of the fief (*shō-en*). This type of holding is first found towards the end of the Yōrō era, or about the first quarter of the eighth century. Authors are not agreed in regard to the legal origin of the *shō-en*. The best authorities, however, hold that it began with domains granted by the Emperor as rewards to the nobles and the most distinguished personages of the Empire. Later on, the *shō-en* represented territory the noble families claimed for themselves, withdrawing it altogether from

(1) See *Monthly Bulletin of Economic and Social Intelligence*, October, 1913.

the imperial control, though the land was the property of the Emperor alone. The original character of the *shō-en* was gradually lost. The *shō-en* became the absolute property of the feudatory, who administered justice and levied taxes there, quite uncontrolled by the Imperial power or any authority emanating from the Emperor.

Under the reign of the Emperor Gosanjō (1069-1072), only the family Fujiwara had been invested with large fiefs. Some centuries later, during the regency of the Tokugawas, the Government was obliged to put a stop to the sale and purchase of land, for fear of the concentration of a small number of immense landed estates in the hands of the most powerful families of the Empire. In spite of this, as we have previously had occasion to remark, the Government was constrained to make exception in the case of the Provinces of Yedo (now Tokio), Kioto and Osaka. In other provinces, purchase and sale continued under the disguise of long leases and thus the regulations of the Government were every day evaded, and the fundamental principle of the right of ownership, by which the Emperor alone could be considered a land holder was ignored.

It was not until the first years following the Restoration that considerable reforms were introduced which have led to the present situation.

In 1867 the Imperial Government issued a decree declaring the land in the villages (*mura* or *son*) by right the property of the inhabitants of the villages. In 1872 the purchase and sale of rice fields and other fields was authorized and the right of inheritance of this kind of property established. In 1874, the land was divided into two large groups: Government land and private property, and, then, in the following year, the right of possession of private owners was established by title deeds. Finally, in 1886, the system of title deeds was abolished and substituted by that of the cadastre.

From what we have said, therefore, so far, it appears that up to 1875, there were no landowners by right in Japan; but there were such in fact. Now, if the feudal lords were proprietors in fact and almost always large landed proprietors, the situation of the farmers, with whom we are directly concerned, was different.

Farmers could neither be landowners in fact nor in law. They had only the use of the land and could not alienate it in any way. They represented the productive element of the nation and, as such, were subject to taxation and obliged to work for the maintenance and comfort of the other large division of the population, the military aristocratic class. Some have said that this system was exceedingly advantageous for the country, for the farmers, being legally incapable of alienating their land, were in this way protected by the whole community, that is to say by the State, against their own improvidence. This statement, which, *a priori*, may seem true, is not so in many cases and above all in those with which we are most concerned. The large landowner was always able, by evading the law as we have seen, to realise money on the land with which he was invested. The legal incapacity of the farmers to transfer the use of the land they occupied meant the constitution of a class of serfs attached to the soil



with all the injustices and errors inherent in such a system. Now, the law of 1874, which gave the peasants the right to own farms, admitted their legal right to transfer them. Consequently, at a certain date, all the farmers of the Empire became landlords. They attained in a moment the ideal so ardently desired by western economists and sociologists. To-day, according to official statistics, the percentage of landholders farming their land, whether merely farming landholders or at the same time landholders farming their own land and tenant farmers, is only 72 %, which means that in 40 years 28 % of the farmers who suddenly became landholders by the law of 1874 have alienated their land and remained or again become quite simply tenant farmers as before. This interesting fact led E. Demolins to write that the Japanese peasant has proved incapable of keeping the ownership of the soil recently conferred on him by the State. He also wrote that the cause of this was just the rapidity of the passage from the feudal system to that of personal property and the want of sufficiently firm social conditions to withstand the effects of this passage. Before proceeding to study the causes of these events, it will be well to see clearly what is the real situation at present, utilising for the purpose the quantity of interesting statistical information at our disposal.

In the following tables will be found figures on which to base our study.

TABLE I. — *Number and Percentage of Farmers, according to the System of their Cultivation.*

Year	Number of Farms Cultivated				% of Total		
	by Landholders	by Tenant Farmers	by Landholders who are also Tenant Farmers	Total	Landholders	Tenant Farmers	Landholders and Tenant Farmers
1899 . . . .	—	—	—	—	37	25	52
1903 . . . .	—	—	—	—	37	26	63
1908 . . . .	1,799,617	1,491,733	2,117,013	5,408,363	33.27	27.58	60.85
1909 . . . .	1,801,440	1,496,992	2,111,067	5,409,499	33.30	27.67	60.97
1910 . . . .	1,776,873	1,500,953	2,139,111	5,416,937	32.80	27.71	60.51
1911 . . . .	1,762,296	1,501,933	2,155,763	5,419,992	32.51	27.71	60.22
1912 . . . .	1,764,181	1,500,003	2,173,867	5,438,051	32.44	27.58	60.02

(1) See *La Science Sociale*, 19th. Year, 2nd. period, No. 3. p. 97. Paris, 1904.

TABLE II. — *Percentage of Area of Rice Fields  
and other Fields according to the System of their Cultivation.*

Year	Percentage of Area			
	of Rice Fields Cultivated		of Fields Temporarily Irrigated	
	by Landholders	by Tenant Farmers	by Landholders	by Tenant Farmers
.....	50.75	49.25	61.04	38.96
.....	50.88	49.12	60.93	39.07
.....	50.14	49.86	61.90	38.10
.....	50.19	49.81	61.57	38.43
.....	50.36	49.64	61.34	38.66
.....	50.01	49.99	59.61	40.39
.....	50.82	49.18	59.68	40.32
.....	49.37	50.63	59.69	40.31
.....	49.07	50.93	60.35	39.65
.....	49.13	50.85	60.18	39.82

TABLE III. — *Ratio of Agricultural Households classified according  
to the Area of Cultivated Land in Possession.*

Year	Percentage						
	Less than 5 tan	Between 5 tan and 1 chô	Between 1 and 3 chô	Between 3 and 5 chô	Between 5 and 10 chô	Between 10 and 50 chô	Above 50 chô
.....	46.15	26.09	18.76	5.65	2.49	0.81	0.05
.....	46.75	26.15	18.08	5.58	2.56	0.82	0.06
.....	47.43	25.08	17.86	5.54	2.59	0.84	0.06
.....	47.37	25.66	18.02	5.45	2.59	0.85	0.06
.....	47.70	25.30	17.00	5.46	2.56	0.84	0.06

TABLE IV. — *Ratio of Agricultural Households according to the Area of Land under Cultivation.*

Year	Percentage					
	Less than 5 tan	Between 5 tan and 1 chô	Between 1 and 2 chô	Between 2 and 3 chô	Between 3 and 5 chô	above 5 chô
1908 . . . . .	37.28	32.61	19.51	6.44	3.01	1.15
1909 . . . . .	37.39	32.95	19.36	6.03	2.83	1.44
1910 . . . . .	37.51	33.02	19.34	5.95	2.87	1.31
1911 . . . . .	37.12	33.11	19.66	6.00	2.87	1.24
1912 . . . . .	37.04	33.35	19.61	5.96	2.83	1.21

The above figures show a decrease in the number of landowners cultivating their farms themselves and an increase in the number of the tenant farmers. We must, however, take into consideration the increase in the number of landowners who are at the same time tenant farmers. This is the most important agricultural class in Japan. It includes the large group of those landowners who, as the land they possess is absolutely insufficient for the maintenance of their family, have been compelled to lease another lot in order to make a living.

It is therefore all very well to affirm the incapacity of the Japanese small landholders to keep their land. But such incapacity seems quite excusable when we reflect that more than 70 % of the Japanese landowners possess less than one hectare and almost 50% possess less than half a hectare. For, if it is true that at the date of the Restoration every peasant became a landholder, it is also true this ideal situation was not the result of a proper division of all the cultivated land and especially of the large estates, to which home colonisation generally tends, but rather a legal transformation of previous conditions. There was, however, this difference, that before the change the peasant could not alienate the land he occupied and was condemned to a condition of perpetual inferiority, whilst the sale of a holding of little real value might in some cases have produced a real improvement in his position.

We shall say a few more words on the general situation of the farmers.

The landowners who do not cultivate their land themselves (*jinnshi*) may, in general, be considered capitalists pure and simple. They generally possess farms of small area. Those who possess more than 30 chô (29 ha. 70) may be considered as large land holders. On an average, the *jinnshi* only possess 10 chô (9 ha. 9).

The tenant farmers sometimes pay their rent in money and sometimes in kind. Rent for rice fields is always paid in kind. Rents are high and vary between 57% for rice fields to 44% for fields temporarily irrigated. It must be remembered that the taxes, which are far from light, are of course paid by the landlords.

The class of landholders who cultivate their own land (*jisaku*) or at the same time lease other land (*jisaku-ken-kosaku*) form, as we have seen, about 72% of the total number of farmers, that is, the large majority of the agricultural class. Most usually the area cultivated by them is 3 *chô* (2 ha.) and it is rarely as much as 5 *chô* (4 ha. 95). The most recent statistics show the economic situation of the *jisaku* as follows:

	Percentage of Revenue
Taxes and other Public Charges . . . . .	15.17 %
Working Expenses . . . . .	22.25 "
Balance . . . . .	63.58 "

In this balance are of course included the wages of the agricultural labourers (*kosaku*), the interest on invested capital and the net profits. Finally, the labourers (*kosaku*) are the lowest agricultural class and their households constitute about 28% of the total number of Japanese agricultural families. Their position is anything but flourishing. The area cultivated by them varies generally from 8 *tan* (0 ha. 792) to 1 *chô* and 5 *tan* (1 ha. 5). They must derive from it all they need for the maintenance of their families, not seldom consisting of six persons, after paying their landlords or 60% of their revenues. Their position would be absolutely insupportable, were not their revenue fortunately augmented by the profits they derive from industries auxiliary to agriculture of the importance of which we have already given some idea in a previous article (1).

## § 2. GENERAL SITUATION OF THE FARMERS.

Having thus briefly dealt with the general economic and social conditions of agriculture in Japan proper, let us now consider the conditions of farms and of the uncultivated land. This will serve to give us an idea of the necessity and importance of home colonisation in these districts. According to the most recent statistics in the Official Yearbook published at Tokio in 1914, the land farmed or suitable for farming in Japan may be classified as under:

(1) See *Bulletin of Economic and Social Intelligence*, March, 1913.

Rice Fields . . . . .	chô	2,854,793	or	20.06 %
Other Fields . . . . .	"	2,369,480	"	16.66 %
Total . . . . .	chô	5,224,273	or	36.72 %
Forests . . . . .	chô	7,687,774	or	54.02 %
Genya (1) and Grazing Ground . . . . .	"	1,317,450	"	9.26 %

These figures are, however, insufficient to show what portion of the area of Japan may still be brought under cultivation, first of all because under the head of "forests" (*saurin*) are included also mountain areas absolutely inaccessible, and then because a portion of the *genya* is already utilised for agricultural purposes. We can more easily arrive at a conclusion in regard to this matter from a consideration of the statistics relating to the land really capable of cultivation, including all land that can be utilised for agriculture, except the forests, and not having a slope of more than 15°. In this land there are included, on the one hand, fields (irrigated permanently or temporarily), vegetable gardens, orchards etc. and, on the other, waste land and grazing ground.

In view of the considerable differences in the various parts of Japan proper, we shall classify our information according to the larger territorial divisions :

*Area of Land Suitable for Cultivation.*

Territorial Division		Cultivated Area		Grazing Ground and Genya	
Central Hondo . . . .	chô	1,950,393.2	chô	688,073.6	
Northern Hondo . . .	"	1,054,687.0	"	590,623.6	
Western Hondo . . . .	"	860,619.9	"	193,466.4	
Shikoku . . . . .	"	361,020.3	"	13,894.1	
Kiushiu . . . . .	"	996,760.7	"	321,009.7	
Total . . . . .	chô	5,223,481.1	chô	1,868,067.4	

That is to say that in Japan proper only 73 % of the land capable of cultivation is really being worked to day, whilst 27 % may still be utilised.

Before definitely entering on the study of the work of home colonisation, we must give some further information in regard to the subdivision of the cultivated land.

One of the special characteristics of Japanese agriculture is the small area of the lots cultivated. The most recent investigations made for the account of the Tokio Department of Agriculture show that 53 % of the rice field consist of parcels of an area of less than 5 *se* (2) whilst 74 % of the area of

(1) Waste Land.

(2) 1 *se* = 30 *tsubo*, or about 1 acre.

the fields not irrigated consist of parcels of an area of less than 1 *tan* (9 a. 9). The average area of each parcel, for the rice fields is 1 *se* 14, and for the other fields 5 *se* 12. So extreme a subdivision of the soil is chiefly due to the very great inequalities of the ground, to the need of abundant irrigation and to the fact that most usually the work is done by hand.

### § 3. READJUSTMENT OF FARM LAND.

It follows then from what we have said above that a well considered colonisation undertaking in the part of the Japanese Empire we are considering must principally aim: 1st. at the readjustment of the farm land already under cultivation; and 2nd. at bringing under cultivation as far as possible the land as yet uncultivated.

The law of April 13th., 1909, with which we dealt at length in the number of this Bulletin for February, 1913, tends to realise both objects at once. We shall not here repeat what we have already said upon the matter. However, as this important law, which was without doubt the origin of home colonisation in Japan, has been considerably amended by the new law of March 30th., 1914, we shall give a brief account of the changes introduced into it.

As the first law on farm land reorganisation, that of 1899, was chiefly concerned with the utilisation of boundary land and the preparatory work necessary for irrigation, drainage and improvement of roads, and the law of 1909 extended its field so as to include the work of reclamation and the adoption of the most suitable methods of farming, similarly the new law of 1904 further extends it, applying the provisions of the law to farm areas obtained by filling up or drying pools, marshes, lakes etc.

With this amendment of a technical nature, which is certainly important, there is another of still greater importance of a legal character. In fact, to article 2 a second paragraph has been added as follows: "Individuals who have registered surface rights or registered rights of tenants by emphyteusis or lessees' rights or those undertaking reclamation works in terms of the law on forests and uncultivated plateaux belonging to the State, or of the regulations for the administration of Government land, may, with the consent of the proprietor or tenant farmers, be included among the number of those undertaking the reorganisation of the land, as in article 3, or become members of the associations for the execution of the above work of reorganisation".

This new provision therefore extends the facilitations that the State or its dependent administrations may grant to those carrying out works of farm land reorganisation to a number of individuals previously excluded. It is even added in paragraph 3 of article 2 that "by effect of the present law, individuals who have obtained official authorization for the execution of works of drainage or of reclamation in accordance with the regulations of the Crown Lands Department, are placed on an equal footing with the pro-

prietors." This is not all. A similar concession has been made to individuals enjoying surface rights or those of tenants by emphyteusis or lessees' rights, as well as all those who have by contract undertaken works of reclamation and become members of associations constituted in conformity with the farm land reorganisation law.

The rights and duties of those who undertake farm land reorganization or the members of associations founded for the purpose are transmitted to their heirs together with their eventual surface rights or their rights as tenants by emphyteusis or lessees.

To these provisions of legal character others have been added of a fiscal nature extending the periods of exemption from payment of land tax and permitting of the postponement of the date on which the tax is increased in conformity with the new valuation of land. Thus, for example, whilst in the law of 1909, the date at which the new land tax was to be collected could not be postponed beyond twenty years from the date on which the works were commenced (in the case of reclamation of land) or beyond six years from the date of the termination of the works (in the case of an alteration of the character of the farm), the law of 1914, while leaving the latter term unchanged, has fixed for the first case a minimum of 20 years and a maximum of 30 years. And, whilst the supplementary period, in case of insufficiently successful results, was fixed at 10 years by the 1909 law, the 1914 law fixed it at 20 years.

In addition, article 14 bis, added to the new law, grants exemption from payment of the land tax for a period of 50 years in favour of land belonging to the first category obtained by reclaiming areas covered with water, of private ownership, and for a period of ten years in favour of land belonging to the first category obtained by clearing forests or reclaiming waste land belonging to the State. These periods of exemption may be prolonged, but not for more than 20 years, if, at the end of the first period, the fertility of the soil has not been what was expected.

This law was completed by many regulations and various provisions, some published separately as supplements to the law, some inserted in the laws or the rules of the credit institutes which have to grant subventions to those who undertake the work of farm land readjustment or the associations founded in accordance with the law. Among the regulations, the most important certainly is that relating to the subventions. It was first published in 1907, republished almost in full in 1908 and 1909 and finally amended by decree of October 7th., 1912. We have already spoken of this regulation in the number of this Bulletin for September, 1913, to which we refer our readers.

As to the other facilitations granted for obtaining the necessary funds for carrying out the work of farm land reorganisation and of reclamation of waste land, we shall mention the principal provisions in the laws and in the rules of the Mortgage Bank (*Nippon Kwangyô Ginkô*) and the Industrial Agricultural Banks (*Nôkô Ginkô*).

Article 15 of the law on the Mortgage Bank, amended in April, 1909, provides that, when the reorganisation of farm land is undertaken in accord-

ance with the law, if an application for a loan is made to the Bank by the association founded in conformity with the law or the union of those engaged together in carrying out the work of reorganisation, and jointly and severally liable, the Bank may grant loans to be repaid in annual instalments or at fixed date, without the security of a mortgage. Similar provisions are to be found in the law on the Industrial Agricultural Banks and in their rules (art. 6. par. 4. of the law; art 49, par. 4 of the rules of the Industrial Agricultural Bank of the Province of Tokio).

At the end of the first half of the working year 1912, the 43 industrial agricultural banks of Japan had granted to the associations for farm land readjustment, 3,052 loans not on mortgage for a total amount of 13,374,884 yen and of these 765 for a total amount of 3,275,553 yen had been granted directly by the Banks and 2,287 for an amount of 10,099,331 yen through various intermediaries. Similarly, on June 30th., 1912, the Mortgage Bank of Japan had granted 2,438 loans to such associations for a total amount of 13,487,300 yen.

We know that the credit institutes also are authorized to grant loans at low interest both to the associations for readjustment of farm land and the co-operative societies. The figures we give below show the comparative amounts of these special loans granted to the two classes of associations above mentioned (situation on January 1st., 1913).

Provinces —	Associations for Land Readjustment	Co-operative Societies	Provinces —	Associations for Land Readjustment	Co-operative Societies
	yen			yen	
Kioto . . . . .	25,600	16,000	Nara . . . . .	10,000	10,000
Kanagawa . . . . .	25,600	14,000	Aichi . . . . .	88,700	36,000
Nagasaki . . . . .	34,000	16,000	Yamemashi . . . . .	18,900	10,000
Saitama . . . . .	58,200	32,000	Gifu . . . . .	40,000	20,000
Chiba . . . . .	86,000	26,000	Miyagi . . . . .	56,100	18,000
Tochigi . . . . .	54,300	24,000	Iwate . . . . .	33,600	20,000
Miye . . . . .	35,700	26,000	Yamagata . . . . .	65,100	12,000
Shizuoka . . . . .	55,900	18,000	Fukui . . . . .	29,000	14,000
Shiga . . . . .	30,800	14,000	Toyama . . . . .	26,900	14,000
Nagano . . . . .	33,300	40,000	Shimane . . . . .	26,200	24,000
Fukushima . . . . .	48,000	32,000	Hiroshima . . . . .	34,200	30,000
Aomori . . . . .	34,800	14,000	Wakayama . . . . .	19,600	10,000
Akita . . . . .	78,000	12,000	Tokushima . . . . .	30,500	10,000
Ishikawa . . . . .	41,400	12,000	Ehime . . . . .	39,400	14,000
Tottori . . . . .	61,600	18,000	Fukuoka . . . . .	95,000	22,000
Okayama . . . . .	43,500	30,000	Saga . . . . .	44,800	14,000
Yamaguchi . . . . .	83,100	20,000	Miyazaki . . . . .	57,000	12,000
Tokio . . . . .	10,000	10,000	Kagawa . . . . .	28,700	10,000
Osaka . . . . .	10,000	14,000	Kochi . . . . .	21,900	8,500
Hirogo . . . . .	43,000	43,500	Osaka . . . . .	51,500	22,000
Niigata . . . . .	41,000	32,000	Kumamoto . . . . .	41,900	10,000
Gumma . . . . .	42,000	36,000	Kagoshima . . . . .	44,200	12,000
Ibaraki . . . . .	79,000	26,000	Okinawa . . . . .	—	20,000

The farm land readjustment associations have therefore alone borrowed from the various credit institutes in special loans at low interest altogether



Year.		Converted into Rice fields		Otherwise Transformed		Total
1902 . . . . .	chô	6,714.4	chô	532.9	chô	7,247.3
1903 . . . . .	»	7,491.8	»	1,080.1	»	8,571.9
1904 . . . . .	»	6,223.6	»	1,545.2	»	7,768.8
1905 . . . . .	»	9,476.4	»	2,321.6	»	11,798.0
1906 . . . . .	»	15,105.1	»	2,467.3	»	17,572.4

In the case of State forests and *genya*, since 1890 the Government has issued special rules for their reclamation or transformation. Those who desire to be allowed to undertake the work of reclaiming such land must apply to the Government authorities, indicating :

- 1st. the system of reclamation or transformation they intend to adopt;
- 2nd. the date on which they engage to terminate the work ;
- 3rd. the area they intend to reclaim each year.

The Government reserves its decision until after it has made careful enquiry into the reliability and financial competence of the applicant.

Article 8 of the law on forests and *genya* belonging to the State (*kôkuyô rinya hô*), promulgated in March, 1899, permits of the sale of some of this land, by private auction, in certain definite cases. Amongst these is that of the forests and *genya* which, before the promulgation of the law had been leased to individuals with a view to reclamation or to the formation of grazing ground. Article 11 of the same law also establishes that the use or lease of State forests or *genya* may be granted by contract to individuals who intend to convert them into grazing ground or to reclaim the land. The law of 1909 on farm land reorganization contains, as we have previously had an opportunity of seeing, important provisions relating to the reclamation of waste land or the transformation of forest land into farm land. Finally, the law of 1914, amending that of 1909, introduces new provisions in regard to the drainage of marshy land, pools, lagoons etc., filling them up or drying them. And of this we have also spoken. It remains for us, therefore, to give some statistics of the results obtained.

According to the investigations recently made by order of the Department of Agriculture and Commerce at Tokio, the area shortly to be reclaimed is about 72,000 *chô* to be transformed into rice fields, and 306,000 *chô* to be converted into fields temporarily irrigated, altogether 378,000 *chô* of new land, now uncultivated or covered with forest, belonging partly to the State and partly to private owners. The following table gives some figures showing the area of forest land reclaimed belonging to private persons or temples or public property.

(A) *Forest Land (Public Property).*

	Number of lots	Area ( <i>chô</i> )
1. Transformed into land for continuous crops . . .	1,005	334.3
2. " " " " rotatory " . . .	470	191.4
3. " " " " land for dwelling houses . . .	112	10.3
4. " " farms of various kinds . . .	399	195.9
Total . . .	2,886	731.9

(B) *Forests belonging to Temples.*

1. Transformed into land for continuous crops . . .	630	142.3
2. " " " " rotatory " . . .	431	33.1
3. " " " " land for dwelling houses . . .	111	12.3
4. " " farms of various kinds . . .	37	8.9
Total . . .	1,209	196.6

(C) *Forests belonging to Private Persons.*

1. Transformed into land for continuous crops . . .	56,498	10,478.7
2. " " " " rotatory " . . .	16,706	3,454.1
3. " " " " dwelling houses . . .	5,954	285.9
4. " " farms of various kinds . . .	8,881	512.4
Total . . .	87,589	14,731.1

(D) *Total*

1. Transformed into land for continuous crops . . .	59,483	10,955.3
2. " " " " rotatory " . . .	17,607	3,768.6
3. " " " " dwelling houses . . .	5,277	308.5
4. " " farms of various kinds . . .	9,317	717.2
General Total . . .	91,684	15,659.6

So that about 16,000 *chô* of forest land have been reclaimed or transformed in a single year.

We must add to this, State forests and *genya*, contract for the sale of which has been concluded in terms of the law on reclamation of forest land and *genya* of which we have spoken above.

At the end of March, 1912 the situation was as follows: contracts had been concluded for 69 lots of forest land of an area of 241 *chô*, and 2,983

lots of waste land of an area of 2,236 *chô* 4. In 1912-1913, there were only three new contracts, one referring to forests and the others to *genya* for a total area of 28 *chô* 1. But that year 12 contracts relating to forests and 191 relating to *genya* were cancelled. Further, executive force has been given to contracts of sale in relation to 27 lots of forest land and 733 lots of waste land, and they have thus come into operation. Thus, on March 31st., 1913, there were still 2,092 lots promised for sale by contract. These lots have a total area of 2,051 *chô* 8, of which 134 *chô* 5 are forest land and 1,917 *chô* 3 are *genya*. The area of forest land and *genya* sold by the State to be reclaimed, in the year 1912-1913, was 315 *chô* 17, of which 83 *chô* 5 were forest land and 231 *chô* 2 waste land.

(To be continued).

## RUSSIA.

### ECONOMIC AND SOCIAL CONDITIONS OF THE RURAL COMMUNES IN FINLAND.

#### SOURCE:

GEHARD (Hannes): *Atlas de statistique sociale des communes rurales de Finlande en 1901* (*Atlas of Social Statistics of the rural Communes of Finland in 1901*). Helsingfors, 1908.  
STATISTIQUE AGRAIRE (*Land Statistics*) in the *Atlas de Finlande*, 1910. Helsingfors, 1911.  
SUBKOMITÉN FÖR DEN OBESUTNA BEFOLKNINGEN: Statistisk undersökning af socialökonomiska förhållanden i Finlands landskommuner år 1901. II. BOSTADSFÖRHÅLLANDEN, af Hannes Gebhard and III. DEN ODLADE JORDEN OCH Dess FÖRDELNING, af Hannes Gebhard (*Publications of the Sub-Committee for Home Colonisation: Statistical Researches into the Social Economic Conditions in the Rural Communes of Finland in 1901. II<sup>nd</sup>. Part: Dwellings, and III<sup>rd</sup>. Part: Area and Distribution of the Farms, Edited by Hannes Gebhard*). Helsingfors, 1908-1910.

#### § I. INTRODUCTION.

The rapid increase of population since the middle of the XIXth. century and the rise, in unexpected degree, in the price of land, gave rise in Finland to a social problem of very serious character, connected with the land (1).

The Government and the representatives of the country early gave their attention to the matter and tried in various ways to improve the economic and social position of those who had no land. But all measures taken in the last century were either preparatory experiments or insufficient palliatives, especially because there were no statistics sufficiently accurate to give an exact idea of the real situation.

On the proposal of the Diet, however, the Government in 1901 instructed a committee to undertake an extensive and accurate inquiry into the economic and social conditions of the rural communes of Finland.

The task was not easy. It was the first time an enquiry of this kind and of this extent was undertaken in Finland and the special peculiarities

(1) See the article on *Home Colonisation in Finland* in the *Monthly Bulletin of Economic and Social Intelligence*, February, 1913.

of the country prevented the large land enquiries made in other States being taken altogether as models.

With the object of conducting the enquiry on a plan really suited to the special conditions of the country, the committee determined to take the household as the unit for the purposes of the return, independently of the members composing it. It was necessary to give, in tabular form, for each household in the rural communes of the country: the profession of the head of the house, the number of members, the terms on which the house was occupied (possession, lease etc.) the number of habitable rooms, the existence or not of land owned or leased, the division of such land into arable land, natural meadows, forest or waste land, and lastly the number of head of livestock per household.

These primary data were collected by the communal authorities, with the assistance of appraisers paid by the State; however, the part of the enquiry relating to the distribution of holdings was principally entrusted to the registration office, which had just completed the new land register. The materials thus collected were submitted to the examination of a special statistical office, under the management of Prof. Hannes Gebhard of the University of Helsingfors. The results of this work, which has taken several years, were published in a series of tables, in six large quarto volumes of more than 1,500 pages each, exclusive of the explanatory text.

In order to give a general view of the results obtained, M. Gebhard has summarised them in an "*Atlas de statistique sociale sur les communes rurales de Finlande en 1901*" (Atlas of Social Statistics of the Rural Communes of Finland in 1901), edited in 1908 by the *Finland Geographical Society*. Let us add that the *Atlas de Finlande*, published in 1911 by the same society, contains a new article by M. Gebhard on the land statistics.

M. Gebhard's book gives a good view of the economic and social conditions of the rural communes of Finland and is of great interest as a basis for comparative study. We shall give below the essential portions of the eminent professor's statements, which he has supported by many citations.

## § 2. DEMOGRAPHIC CONDITIONS.

The enquiry began with an investigation of the demographic conditions of the rural communes. No real census of the population of Finland has been taken, except in certain towns. The existing statistics were based either on the church registers or on the lists of poll tax payers.

These are well known to be unreliable, as persons many years absent from their homes are shown in them. However, such absences were still fairly rare 30 or 40 years ago and the registers then gave a fairly faithful idea of the real demographic conditions of the country. But the recent extensive migrations to foreign countries and to the interior gave reason for the belief that the registered population was in many places appreciably different from the real.

The results of the enquiry show that the actual permanent population of the rural communes on September 1st., 1901 was only 2,170,522 persons, or 180,620 (8.3 %) less than appeared in the official statistical tables for December 31st., 1901, based on the lists of the payers of polltax.

Similarly the idea formed of the area of the rural communes was to some degree inaccurate. The figures in the official statistical tables are those estimated by the Cadastral Office in the sixties on the basis of antiquated and defective surveys, made at various dates since 1770. The committee in 1901 had at their disposal, as we have said above, the results of the new land register, very carefully compared with the information provided by the cadastral office and the forest department. The results of the enquiry show the total area of the rural communes of Finland as 33,320,643 *ea.*, or 116,743 *ha.* (0.35 %) more than appears from the official statistics. Adding to this the area of the urban communes, 82,260 *ha.*, according to the official statistics, we find the total area is 33,312,903 *ha.* These corrections reduce the density of the population of Finland in 1901 from 8.3 per sq. km., as shown in the official statistics to 7.4 per sq. km.

This is of course merely an average, for, in reality, the density in the rural communes varies from between 0.1 and 5 per sq. km., in many communes, up to 158.7 per sq. km.

With regard to the principal occupation of the head of the family, the rural population is distributed as follows:

	Persons	%
Agriculture and Agricultural Industries . . .	1,546,778	71.2
Hunting, Fishing, Reindeer Improvement . .	19,333	0.9
Industry . . . . .	230,291	11.1
Communications . . . . .	34,331	1.6
Commerce . . . . .	25,385	1.2
Public Service or Liberal Professions. . . .	34,448	1.6
Pensioners or Persons of Private Means . . .	43,913	2.0
Other Professions . . . . .	2,432	0.1
Without Definite Profession or Profession		
Unknown . . . . .	223,611	10.3

It is well to observe that the artisans are included among those engaged in industry: those engaged in communications are chiefly sailors and railway employees; the liberal professions include artists etc., and the group "pensioners or persons of private means" is composed principally of retired farmers who derive their income from the holding or farm they formerly possessed. The last group, of no definite profession or profession unknown, is very large. This is because industrial and commercial life is still so little developed in the rural communes of Finland that many of the people have not yet adopted any special trade, and a comparatively large part of the population belongs to the unclassified proletariat, working one day at one trade, the next at another, as occasion offers.

As the above figures show, the large majority of the rural population (71.2 %) live by agriculture and industries connected therewith: forest exploitation, dairying etc. To judge by the results of special investigations in a sufficiently large number of communes, we may certainly place in this class one third of the households, the principal occupation of which has not been specified.

The agricultural population has been the object of special study. The results show that it was distributed among the following classes:

	Households (1)	Persons
(A) <i>Farmers</i> . . . . .	152,142	1,043,153
(1) Landowners . . . . .	94,484	601,533
(2) Occupiers of Crown Lands . . . . .	8,715	60,162
(3) Tenants of the State . . . . .	3,088	21,477
(4) Tenants of Individuals and Other Landlords . . . . .	45,855	269,891
(B) <i>Agricultural Labourers</i> , heads of families . . . . .	138,857	503,625
(1) Engaged by the Year . . . . .	17,313	72,101
(2) Not Engaged by the Year, but also Farming on their own account . . . . .	57,634	250,415
(3) Not Engaged by the Year and not Farming on their own account . . . . .	63,910	181,105

The size of the farm has been taken as basis for the distinction between the two principal groups A and B. The study of the material collected and the declarations of specialists from various parts of the country have led to the establishment of 3 ha. of land (cultivated fields and natural meadows) as the minimum necessary for an agricultural household living by its own farm.

### § 3. LAND SYSTEM AND UTILISATION OF THE SOIL.

The land system has also been the object of profound study. The land belonging to a single proprietor in a commune has been considered as a single holding, whatever the number of parcels. But, in view of the practical impossibility of proceeding further on these lines, persons holding land in various communes have been counted separately in each commune in which they have land. This applies to many private landlords, and particularly to the large sawmill firms, so that really the number of landowners is less than that shown by the enquiry, and the average area of the farms, is, on the contrary, greater.

As we have already said, the results of the enquiry showed the area of Finland as 33,320,643 ha., after deduction of urban areas.

(1) The "household" includes, besides the farmer's family, also his farm servants.

This area was distributed as follows, according to the manner of its cultivation :

Arable Land . . . . .	1,568,072	ha.	or	4.7 %
Natural Meadows . . . . .	1,281,232	ha.	or	3.9 %
Forests and Waste Land . . .	30,147,913	ha.	or	90.7 %
Land not Utilised in a Definite Way . . . . .	233,426	ha.	or	0.7 %

The area of arable land increased considerably in the last century at the expense above all of the natural meadows. Besides this, more scientific and intensive methods of farming have, since 1860 and more especially since 1890, penetrated into most of the regions. The area of natural meadows decreased at the same time, for the new areas were obtained for cultivation almost exclusively by ploughing natural meadows, the fertility of which had diminished or directly converting waste land into arable land, without first utilising it as natural meadows, as used to be done.

The waste land consists for the most part of land, largely marsh, either covered with forest or entirely uncultivated, and, for a small part of the area, quite incapable of utilisation, as consisting of stones, rocks etc. The uncultivated marsh land is far from being without value, for a large portion is land of excellent quality only waiting to be brought under cultivation ; the necessary capital for draining it alone is wanting.

The land was distributed as follows, according to the class of proprietor :

	Number of Landowners	Area in ha.			
State . . . . .	1	13,093,461	ha.	or	39.4 %
Communes . . . . .	425	79,191	"	"	0.2 %
Parishes . . . . .	491	346,360	"	"	1.0 %
Limited Liability Societies .	867	983,952	"	"	3.0 %
Private Persons . . . . .	116,834	18,494,253	"	"	55.7 %
Farmers . . . . .	109,557	17,346,789			
Manufacturers. . . . .	1,163	364,487			
Dealers . . . . .	1,274	303,386			
Government Servants . .	1,272	309,098			
Miscellaneous . . . . .	3,568	170,493			

The State has about, 1,000 farms, but its land is principally natural forest which, being scientifically exploited of late, gives assurance of an increasing revenue (1). The communes in Finland do not possess much land; what they have, however, increases in amount steadily every year, above all through the purchase of parcels or holdings for elementary

(1) In 1911, the revenue the State derived from its forests was 13,240,000 frs.



schools and for purposes of public assistance. The parishes, on the contrary, possess comparatively large areas, chiefly consisting of the parsonages. The limited liability societies possessing land are for by far the most part industrial societies: sawmills etc. The area possessed by these societies has increased very considerably in recent years. As we see from the above figures, by far the greater part of the land is owned by private persons whose principal business is agriculture.

In regard to their size, the holdings, exclusive of State land, were distributed as follows in 1901:

	Number	Total Area of Land
Small Holdings (less than 50 ha.)	51,262 or 26.4%	873,290 ha. or 4.2
Medium-Sized Holdings (50-250 )	67,330 " 37.2 "	7,114,801 " " 37.3
Large (250-1,000 )	17,311 " 15.0 "	7,703,921 " " 38.7
Very Large (1,000 ha. and over)	1,714 " 1.4%	3,503,744 " " 17.6
Total . . . . .	118,617	19,995,756 la.

The cultivated areas (arable land and natural meadows) were distributed as follows among these different classes of farms:

	Cultivated Areas
Small Holdings . . . . .	219,388 ha. or 25.1 % of the total area
Medium-Sized Holdings . . . . .	1,334,457 " " 17.1 % " "
Large " . . . . .	857,015 " " 11.1 % " "
Very Large " . . . . .	339,770 " " 9.7 % " "

This table shows in the first place the special nature of the Finnish farms, of which so large a portion remains uncultivated. But it also shows how the proportion of cultivated land diminishes as the concentration of the estates in the hands of a few owners increases. The object of a healthy agricultural policy, observes Prof. Gebhard, must be to subdivide the large estates which can be subdivided.

#### § 4. DISTRIBUTION OF THE FARMS ACCORDING TO HOUSEHOLDS. NUMBER AND AREA OF FARMS. LEASE OF FARMS.

The *farm* was taken by the committee of enquiry as one of the bases of their researches. By *farm*, was understood the land cultivated by a household, whether this were the property of the family or worked for the account of others, and whether the land leased were a parcel or an entire holding. A holding may therefore include several farms, and a farm, in its turn, may include several holdings. A farm may consist of arable land

alone, or arable land and natural meadows, which is most usual in Finland, or only of natural meadows, as may be the case, for example, when a labourer's family hires the portion of a meadow necessary and sufficient to provide food for a cow in winter. Very small farms of less than 5 ares were not considered by the committee.

Taking the household as a unit, the enquiry showed that in 1901 there were in the rural communes of Finland

Households owning their farms . . .	110,629	01. 23 %
" working on lease . . . . .	160,525	" 34 %
not working farms . . . . .	206,988	" 43 %

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Total . . . 478,142

Taking into account the fact that the legislation on leases is defective and that the part played by industry in most of the rural communes is insignificant, it must be recognised that the rural demographic conditions of Finland might be improved. In a large number of rural communes, the number of householders owning land is not even 20 %. On the other hand, there are few communes in which it is 50 %. These communes are met with principally in the South East, for which the State has studied the possibilities of home colonisation and, to some degree, in the North West, where the usual custom is for the holding to descend to the eldest son undivided, whilst in many other districts of the country it is divided amongst the heirs.

After preliminary trials, on the territory of a few communes in various districts, the farms were divided into five large groups, according to the social position they give the farmer. These groups are as follows:

I. — *Very small farms*, of less than 3 ha., insufficient generally for the support of a family.

II. — *Small farms* of between 3 and 10 ha., assuring a livelihood to a family employing few or no labourers.

III. — *Medium sized farms, group (a)*, of from 10 to 25 ha., requiring a certain number of paid labourers.

IV. — *Medium sized farms, group (b)* of from 25 to 100 ha., on which the manual work is done for the most part by paid labourers, though the head of the farm himself has some share in it.

V. — *Large farms* of 100 ha. and over, on which the manual work is done entirely by paid labourers, the head of the farm only directing them.

The farms and the area cultivated on them were distributed as follows in these five groups.

Groups	Number of Farms	Total Area of Cultivated Land (ha.)	Percentage of	
			Farms	Area of Cultivated Land
I . . . . .	106,462	95,734	39.27	3.35
II . . . . .	78,778	450,015	20.05	15.82
III . . . . .	56,790	876,003	20.94	30.79
IV . . . . .	27,269	1,107,379	10.06	38.91
V . . . . .	1,885	316,060	0.68	11.13
Total . . . .	271,154	2,845,191	100	100

As we see, the small and medium sized farms form 60 % of the total numbers and the number of farms of over 100 ha. is absolutely insignificant. But, when we consider the proportion of cultivated land in each group, we find that half of it is contained in the two largest alone. It is also well not to lose sight of the fact that half the farms are simply leased and that 43 % of the rural households have no farms.

\* \*

The number of tenant farmers has already been given. In 1901, out of a total of 271,154 farms, only 110,629 (40.8 %) were worked by the owners and 160,525 (59.2 %) were leased. Yet, when, instead of considering the number of the farms, we consider their area, the larger figures are shown for the farms worked by their owners. Of a total area of 2,845,191 ha., 2,193,240 ha. (77 %) were cultivated by their owners and 651,951 (23 %) were worked on lease. It follows that the large Finland farms are principally worked by their owners and that it is chiefly small houses with a bit of garden and a field of potatoes that are leased.

The large number of small farms leased is a consequence of the fact that on many holdings of comparatively large size the arable areas are scattered and separated by large areas of forest, so that it is materially impossible to treat them as single farms. Under these conditions, the owners lease out small scattered areas to small farmers who most usually undertake to pay the rent in labour on the owner's land. The dangers of such a system are seen at once and have not failed to attract the attention of the Government and the Diet.

## § 5. HOUSING CONDITIONS.

According to the results of the enquiry, in 1901 there were in the rural communes of Finland:

Families inhabiting their own houses on their own land	109,933 or 23.0 %
" " " " " " leased land . . . . .	134,550 or 28.1 "
" " hired houses . . . . .	147,467 or 30.9 "
" lodging with other people . . . . .	86,192 or 18.0 "

As we see, more than half the rural population own the houses they live in.

The families lodged with others were specially studied in regard to the number of their members. In 1901, there were in the rural communes the following numbers of families lodged with others, consisting of:

1 person . . . . .	43,516	or	50.5	$\frac{a}{n}$
2 persons . . . . .	16,365	or	19.0	$\frac{a}{n}$
3-5 persons . . . . .	22,345	or	25.9	$\frac{a}{n}$
6 persons or more . . . . .	3,966	or	4.6	$\frac{a}{n}$

In regard to the number of habitable rooms, the rural lodgings were divided as follows:

1	habitable	room	159,845	or 40.8 %
2	"	rooms	118,311	or 30.3 %
3	"	"	50,923	or 13.0 %
4-5	"	"	41,767	or 10.6 %
6-9	"	"	16,959	or 4.3 %
10-19	"	"	3,778	or 0.9 %
20	"	"	367	or 0.1 %

These figures, compared with those we possess for towns, show that the latter have in proportion many more small lodgings. The same has been stated to be the case with regard to overcrowded lodgings. The average number of persons per room was far more considerable in the rural communes of Finland than in any of the large towns of the North.

It was in fact :

in Stockholm (1900) . . . . .	I.32
in Copenhagen (1901) . . . . .	I.34
in Christiania (1900) . . . . .	I.74
in Helsingfors (1901) . . . . .	2.00
and in the rural communes of Finland (1901) . . . . .	2.20

These are, of course, only averages, and, if in the South West, where there is greater prosperity, we find less than two persons per room we find as many as 5.1 in the forest region of the East and North.

#### § 6. LIVESTOCK STATISTICS.

The statistics of the amount of livestock and poultry possessed by a household give a good idea of its economic situation in a country such as Finland, where a large part of the population principally lives by agriculture. The enquiry of 1901 therefore was extended to the livestock, at any rate to horses three years old and over, dairy cows, sheep a year old or over, pigs of six months and reindeer.

First of all, the number of households owning livestock was ascertained. Out of 478,142 rural households,

177,590 or 37.1 % had no livestock.  
300,552 or 62.9 % had livestock.

It is interesting further to note that.

113,829 or 23.8 % had only cows.  
3,442 or 0.7 % " " sheep  
7,387 or 1.5 % " " pigs  
393 or 0.1 % " " reindeer.

This shows that the families of labourers or small artisans keeping livestock, have a preference for keeping cows, which up to lately was facilitated by the fact that they could usually find comparatively good pasturage in the immense forests of the country, either free or at a very low charge. This was certainly a matter of extreme importance for the social economy of Finland. Households only keeping reindeer are very few in number and exclusively to be found in Lapland.

According to the report of the enquiry, in 1901 there were in the rural communes.

Full grown horses . . . . .	286,194
Dairy cows . . . . .	1,108,352
Sheep more than one year old . . . . .	980,448
Pigs more than six months old . . . . .	105,170

Or for 100 ha. of cultivated land, 10 horses, 39 cows, 34 sheep and 7 pigs: and per 1,000 inhabitants, 132 horses, 511 cows, 452 sheep and 90 pigs. †

The enquiry also furnished material for a report in which the households were divided according to the number of dairy cows possessed. Thus:

Households keeping no cows . . . . .	193,916 or 40.5 %
"      "      1 dairy cow . . . . .	91,352 or 19.1 %
"      "      2-5 "      " . . . . .	134,481 or 28.2 %
"      "      6-29 "      " . . . . .	56,983 or 11.9 %
"      "      more than 29 . . . . .	1,410 or 0.3 %

These figures confirm what was already shown by the statistics of the farms, namely that the number of large farms is insignificant. We may even say, on the authority of these figures, that the number of large cow establishments (for 100 cows or more) is extraordinarily small (112) compared with the number of large farms; this is the natural consequence of the extensive character of farming in Finland.

The enquiry also investigated the relations between the amount of the livestock and the area of the farms. With regard to this, we find the livestock distributed as follows among the households, classed according to the size of their farms:

Livestock per 100 ha. of land cultivated by the owners or by tenant farmers	Less than 3 ha.	3-9 ha.	10-24 ha.	25-99 ha.	100 ha. and over
Horses . . . . .	22	17	11	7	5
Cows . . . . .	128	55	37	26	24
Sheep . . . . .	110	57	39	22	6
Pigs . . . . .	21	11	7	4	3

As we see, the number of livestock is in inverse proportion to the area of the farm. There could be no higher encomium on small holdings.



